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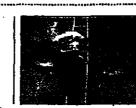
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Bain & Co's Tom Tierney Companies like ours are driven by stars' Interview, Page 13



Privatisation in Nigeria Have the generals found another source of booty? Page 5



Advertising indy Special reports Merger talk swells **S**ingapore Poland

Separate sections

WORLD NEWS

Thai candidate for WTO post wins key European support

Supachai Panitchpakdi, Thailand's deputy prime minister, appeared to have achieved a decistve lead in the race to head the World Trade Organisation, after all European Union members except Sweden swung behind his candidacy. Page 18; International Trade, Page 6

Pledge after turmel fire France and Italy pledged to tighten security in large European road tunnels and press for more freight to go by rail, after last week's fatal fire in the Mont Blanc tunnel, which killed at least 40 people. Europe, Page 3

Turmoù over Oviedo Paraguay's former military strongman Lino Ovledo was under arrest in Argentina vesterday as the fall-out from his political connections reverberated at home. Americas, Page 8; Editorial Comment, Page 17

Farm reforms 'blow' for Europe A dilution of farm aid reforms by European Union government heads will reduce the Union's negotiating strength in talks to liberalise world trade, the European Commission said. Europe, Page 3

Pinochet freedom move on hold The High Court in London ruled that fresh legal challenges almed at freeing General Augusto Pinochet must wait until Jack Straw, the British home secretary, has decided whether to renew government approval of Spain's -extradition request. Americas, Page 8

Gloom hung over the Northern ireland talks as parties switched their thoughts to the possible collapse of the peace agreement reached a year ago this week. Britain, Page 10

El industrial subsidies at €37.7bn Subsidies given to manufacturing industry in the European Union between 1995/97 amounted to an annual average of Europe, Page 3

IMF criticises Bank of England The Bank of England - the UK central bank - should carry a more realistic and explicit discussion of the likely path for interest rates in its quarteny inflation report, according to the International Monetary Fund. Britain, Page 11

Japan tackles over-production The Japanese government has set up an advisory panel in an attempt to grapple with excess production capacity, amid the country's worst recession in the post-war era. Asia-Pacific,

Quarantine restrictions to stay The UK government has refused to end quarantine restrictions for domestic animals imported into Britain from North America because of the prevalence of rabies. Britain, Page 10

Marine navigator to 'plead guilty A US Marine navigator whose jet cut a ski gondola cable in italy last year, killing 20 people, has agreed to plead guilty to obstruction and conspiracy charges, according to a Marine spokesman, US, Page 8

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US LUNCHTIME RATES

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WORLD MARKETS

BUSINESS NEWS

French central bank takeover battle

The French central bank issued a highly unusual plea for Banque Nationale de Paris, Société Gén-érale and Paribas, the protagonists in a three-way hostile take over battle, to down arms and "establish a dialogue". Companies and Markets, Page 19; Ditching le tairplay, Page 18

BP Amoco, the UK's biggest company, confirmed it was in takeover talks with Atlantic Richfield, the Los Angeles-based oil group also known as Arco. Companies and Markets, Page 19; Lex, Page 18; Bigger, biggest, Page 17; Good fit, Page 22

Big insurance companies and brokers are to create a global e-commerce network for trading risks among themselves in a move to counter a vicious squeeze on margins. Page 18

Alpha Credit Bank, Greece's leading private bank, is to pay Dr276bn (\$912.4m) for a majority stake in state-controlled lonian Bank in the country's biggest privatisation sale. European companies, Page 20

Vissan Motor has net debts of \$19.9bn - \$2.2bn more than the Japanese carmaker, in which Renault plans to buy a controlling stake, had disclosed. Companies and Markets, Page 19

GE Capital Services, the finance arm of US conglomerate General Electric, is understood to be finalising the purchase of 90 per cent of Bank Ball, one of Indonesia's largest banks, Asia-Pacific companies, Page 24

Viag's planned merger with Swiss group Alusuisse Lonza has collapsed. The German conglomerate cited disagreements over terms. Companies and Markets. Page 19; Observer, Page 17

Goldman Sachs, the US-based investment bank set to become a public company, has acquired a 22 per cent stake in Wit Capital, an investment bank specialising In IPOs over the internet. US companies, Page 22.

Computer Associates, the US software group, announced the biggest merger in the history of the software industry by agreeing a \$3.5bn takeover of rival Platinum Technology. Companies and Markets, Page 19

Sweden and Norway were understood to be finalising the proposed merger of Telia and Telenor, their respective state-run telephone companies. Eu**ropean** companies, Page 20

Eastman Kodak again signailed that its earnings revival was progressing slowly. US companies, Page 22

Enerais shareholders will today yote for a second time on clearing the way for a \$1.45bn bid for control of Chile's largest electricity generator by Endesa, the Spanish utilities group. international companies, Page 23

Euro Prices A comprehensive statistical guide to the euro currency zone, covering foreign exchange, bond and equity markets.

Primakov to acts over three-way takeover battle fly to Serbia in bid to end hostilities

By Andrew Jack in Moscow, Guy Diamore in Belgrade, and Neil Buckley in Brussels

Yevgeny Primakov, the Russian prime minister, is to have talks in Belgrade today with Slobodan Milosevic, the Yugoslav president, in an effort to halt the hos- price." tilities in Yugoslavia.

Mr Primakov, accompanied by his defence and foreign ministers, is set to fly to Belgrade this morning and is then expected to go to Bonn for talks with Gerhard Schröder, the German chancellor.

The Russian move follows Moscow's strongest condemnations yet of the Nato air strikes. Igor Ivanov, foreign minister, called the bombing a "humanitar ian catastrophe" and "an act of barbarism", and rejected suggestions that Kosovar Albanians were the victims of genocide.

Nato forces launched a sixth

successive night of air strikes against targets in Yugoslavia amid reports of thousands of refugees streaming across the borders from Kosovo into neighbouring Albania and the Yugoslav republic of Montenegro. Dmitry Yakushkin, spokesman

for Russian president Boris Yeltsin, said the aim of Mr Primakov's mission was "to co-ordinate stens (with Milosevic) which could help find a political solu-tion to the conflict which has emerged because of Nato's military action".

Italy and Turkey welcomed the Primakov mission and France said President Jacques Chirac had asked Mr Primakov to inter-

Russia is a member of the Con-

tact Group on Yugoslavia, but Mr Ivanov said there was little focus of its air attacks to Yugochance of a meeting of the Group, Italy, Britain, Germany and the US – all involved in Nato strikes. Britain called yesterday for Kosovo crisis, Page 2

intensified Nato air strikes but ruled out using ground troops to protect Kosovar Albanians.

Tony Blair, the British prime minister, said: "For every act of barbarity, every slaughter of the innocent, Milosevic must be made to pay a higher and higher

In an interview broadcast to the Balkans in several languages Mr Blair said there would be "absolutely no let up whatever, until we have forced him to stop carrying out these barbaric atrocities against innocent civilians".

Nato said on Monday that five prominent Kosovar Albanians, including Fehml Agani, a member of the delegation to the recent abortive peace talks in France, had been "executed". Witness reports from Pristina, the Kosovo capital, said Mr Agani had been seen fleeing the city yesterday morning. However, Air Commodore David Wilby, Nato military spokesman. said it had been reliably reported that Mr Agani, Baton Haxhiu, editor-in-chief of the main Kosovo Albanian newspaper and three others had been executed

on Sunday. He said the killings took place after the men had attended the funeral of Bajram Kelmendi, a lawyer, who was shot by Serb police along with his two sons on the first night of Nato strikes last Wednesday. Refugee agencies yesterday

reported tens of thousands of ople fleeing Kosovo to Albania, Montenegro and Macedonia as Serb military and paramilitary intensified. Nato said it had shifted the

slav ground forces, and would as demanded by Moscow, with make "every effort possible" to the other members - France, end the humanitarian disaster unfolding in Kosovo.



Russian prime minster Yevgeny Primakov (left) and IMF chief Michel Camdee

IMF promises Russia up to \$4.8bn worth of new loans

Moscow hails outline agreement to prevent bankruptcy

By John Thomhill in Moscow

The International Monetary Fund Russian government by promising as much as \$4.8hn in new national bankruptcy. The outline agreement was

hailed in Moscow as a personal, at the end of April....
The immsh for Yevzeny Primakov, The imp, which previously had triumph for Yevgeny Primakov, Russian prime minister and pos-sible presidential contender, who had spent many hours cajoling-Michel Camdessus, the IMF's managing director, to help Russia overcome its devastating financial crisis.

"We have agreed about co-operation," Mr Primakov said. "We have agreed that we will be granted a new credit and that next week a full-scale mission from the fund will come to Moscow to complete work on this

Following a whirlwind series of meetings in Moscow over the past three days with Russian ministers, parliamentary leaders and even the head of the Russian

strong consensus in support of this government."

However, details of the new yesterday threw a lifeline to the programme still have to be worked out by the IMF mission and then approved by the fund's loans to prevent the threat of board, Russian officials said the government was likely to receive \$4.8bn in four tranches starting

> criticised the incoherence of the Russian government's economic policies, appeared to have softened its negotiating stance dropping its, insistence that the government target a primary budget surplus (before interest rates) of 3.5 per cent of gross domestic product this year.

A joint communique stated: "The parties have agreed on a primary budget surplus of 2 per cent of GDP to be realised in 1999 and most of the measures needed to achieve it."

Augusto Lopez-Claros, an econthe former IMF representative in Moscow, said yesterday's agreement could not yet be considered Orthodox Church, Mr Camdessus a "done deal", but the dynamics political prestige and further

changed in the past week, probably as a result of the conflict in Yugoslavia.

"I think the fund and the G7 must have made a calculation that it is much better to have Russia on board with a new IMF programme than for the discussions to drag on," he said. "The risk was that with the Kosovo crisis distracting people's attention the two sides would have diverged." Almost all the IMF funds will

be used to repay Russia's debts to the fund which fall due this year. However, the deal is critical for preserving Russia's reputation in iternational financial mark and will unlock an additional \$2bn to \$2.5bn in cash from the World Bank, Japan and other international credit agencies. It will also enable Russia to

start talks with the Paris Chub of sovereign creditors and the London Club of commercial creditors omist at Lehman Brothers and about restructuring \$150bn of external debts. Mr Primakov's success with

the IMF is likely to boost his said: "I understand there is a of the negotiations had clearly eclipse President Boris Yeltsin's.

for Telecom Italia

By Paul Betts in Milan and Vincent Boland in London

Olivetti last night raised the stakes in Europe's largest take-over battle by increasing its hostile bid for Telecom Italia by 15 per cent to €60.4bn (\$66.4bn). However, Roberto Colaninno, Olivetti's chief executive, warned

that the new offer would be withdrawn if Telecom Italia shareholders approved the privatised telecommunications group's defence strategy next week. Olivetti raised its original €10 a

share offer to €11.5. "This is our final price," Mr Colaninno said. The move had been expected after the telecoms and information technology group secured loan commitments from a group of international banks of more than 628bn to help fund the bid last Friday. Olivetti was also responding to

(279.75

Y 120.2

offer price, plus Telecom Italia's decision on Saturday to launch a €22.9bn cash offer for all the outstanding shares in its Telecom Italia Mobile (TIM) cellular phone unit it does not already own. Telecom Italia is tomorrow planfinance the buyback. Telecom italia's cash offer for

that it would triple the company's indebtedness

price increase, the structure of the sweetened Olivetti bidds the same as the original offer launched last month. Olivetti & offering €11.5 in cash, bonds and shares in its Tecnost subsidiary for all outstanding Telecom Ifaña common voting shares. Under the new terms, Telecom

Italia shareholders would receive 66.92 in cash, €2.90 in bouds and €1.68 in Tecnost shares: The higher offer, totalling 669.4m. would be financed as follows: €21bn from the new bank; loan €12bn through a Tecnost capita increase subscribed by Olivetti 63.4bn from a bond issue sub-scribed by a group of banks, a further 615.2bn from a new bond ning to seek up to 625bn in the issue with a variable interest syndicated loan market to rate, and 68.8bn from the issue of new Tecnost shares.

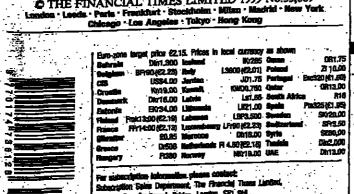
Olivetti raises offer to a 'final' €60.4bn

market demands for a higher

Telecom Italia shareholders have been called to vote on the buyback and a proposed savings shares conversion, part of the board's bid defence, at a meeting on April 10. This will be followed by a second meeting before the end of April to approve the acquisition of the remaining TIM Apart from the 15 per cent

TIM was described by Mr Colan- lex, Page 18

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CONTENTS World News: The Americas 8. International 5 , Asia Pacific 4 . Europe 20 , The Americas 2

Trade 6, UK 10,11 Asia Pacific 24 , Inten Management 13 Capital Markets 28

Comment & Analysis: 16.17

REFUGEES FLOOD OUT UNHER ESTIMATES 75,000 HAVE LEFT PROVINCE NATO RULES OUT PLANS FOR GROUND TROOPS CONCERN GROWS FOR ALLIANCE UNITY PRIMAKOV IN PEACE BID

Italy launches humanitarian aid for refugees

Guy Dinmore in Belgrade and Stefan Wagstyl in London

Italy yesterday took the lead among western nations in launching humanitarian aid for the latest wave of Kosovo refugees, while bracing itself for a new influx of immigrants reaching its southern

Adriatic shores. The government acted as tens of thousands of Kosovo Albanians fled their homes for Albania and other neighbouring countries.

The United Nations High dred had already reached Commissioner for Refugees Tirana, the Albanian capital. yesterday estimated 75,000 Albanian refugees, Italy is refugees had left Kosovo

over 60,000 seeking aid in Albania. But the numbers were growing by the hour. The Organisation for Security and Co-operation in eight-person tents, 40,000 Europe late yesterday put sleeping bags, 20,000 matthe total for Albania alone at 70,000 and the Albanian government reporting that 100,000 Kosovo refugees were either already in Albania or occupation of coping with a tary action in Yugoslavia. heading towards its borders. While most are still in the

As a magnet for ethnic

MILITARY TACTICS US EMPHATICALLY RULES OUT LAND INVASION

to Albania to ferry supplies. which include 5.600 six and tresses and 40 drinking-water tankers.

new flood of immigrants and appeasing members of its mountainous border areas coalition parties over its between Kosovo and Albania stance on the war in Yugoand Montenegro, a few hun-slavia. More than 20,000 refucross the Adriatic in the coming days to seek safe

since Saturday, including watching these huge flows A former Nato air base with particular concern. The near Bari, in southern Italy, parliament yesterday sation of Security and Italian navy sent two ships has already been prepared appealed to Nato to send Co-operation in Europe. with tents and mobile homes to accommodate the expected influx of new refugees. The Italian government

was also coming under increasing political pressure The Italian move reflects from its coalition partners Europe." the parliamentary the government's twin pre- over continuing Nato mili-Former Communists supporting the government warned again they were considering withdrawing their ministers, including the curgees are now expected to rent justice minister, from the government if the Nato bombings not were

Flight from Kosovo

== 44th caralle

35.0

19.0

14.0

78.5

100.0

Number of refuge Total (*000)

Displaced in Kosovo

ground troops into Kosovo to stop the violence and staunch the flow of refugees. "What is happening in Kosovo is a crime against humanity in the heart of

statement said. The crush of humans and vehicles on the border was so great that the Yugoslav guards closed the main frontier crossing near the Albanian town of Kukes for about three hours. "Refugees are arriving at a rate of 4,000 per hour now," said Andrea

In Pristina, the Kosovo

out as Serbian police and Yugoslav troops went from home to home in the hillside Dragodan residential area. driving out their occupants who mostly fled on foot. "They shouted 'go, go, go', said one witness reached by telephone. Some people were beaten, the witness said, but

HUNGARY

Meanwhile, the Albanian Tirana office of the Organi- he saw no one being killed. Many of those fleeing Kosovo told harrowing stories of being forced from their capital, Serb security forces homes by Serb guamen. At seeking a safe haven from the Rusulija Pass, in north-Nato air attacks on their ern Kosovo, refugees said barracks yesterday expelled residents of the city of Pec several thousand ethnic had been given five minutes Albanians from their homes, to leave their homes or be witnesses said. Chaos broke shot. "Half the town was destroyed by the time we left. We saw bodies lying by the road to the border. We counted 13 dead in Novo Selo but we hear there may be hundreds of dead in other villages," said Idres Aslen, a 40-year-old refugee, wrote journalist Robert Fox in the

London Evening Standard.

ROMANIA

hardens line on

Political Editor

Tony Blair, the British prime minister, yesterday recast the Nato military alliance as an agent of retribution against Serbia for its campaign against the Kosovar

Addressing the House of Commons, Britain's lower house. Mr Blair said: "For every act of barbarity, every slaughter of the innocent, Milosevic must be made to pay a higher and higher

Nato's response to the "callous brutality" of Slobodan Milosevic, the Yugoslav president, should not be weakness but strength".

This represented a significant change of tone by Mr Blair, in the wake of the mass exodus of Albanians from the region. He did not repeat his assertion of last Wednesday that the "very simple reason" for the air strikes was "to prevent Milosevic from continuing to perpetuate his vile oppression against innocent Kosovar Albanian civilians"

Mr Blair also insisted that Nato could not be blamed for the escalation in Mr Milosevic's campaign of 'ethnic cleansing". "The idea that this barbarity...started last Wednesday, when Nato began its campaign, is simply absurd."

The prime minister said that the Serbian "massacres" had been planned by Mr Milosevic over the preceding two months. "It is now clear that Serb participation in the Paris peace taiks learlier this month] was a cover for Milosevic's offensive preparations," he said. "On 20 March, the day after talks were suspended. we now know armed Serbs started summary executions and ethnic cleansing."

**** ********

Mr Blair announced a 110m increase in aid to Albanian refugees and the creation of a cross-departmental working party to come up with further suggestions on how to provide succour to

However, there was no bint that Mr Blair had abandoned his opposition to the use of ground forces in Serbia.

His chief spokesman reiterated that troops would only be used as guardians of any new settlement for the region, if Mr Milosevic was

forced into submission. The prime minister received broad cross-party support for the UK's particl pation in the Nato campaign. However. Sir Peter Tapsell, the veteran Conservative member of parliament, said he was being "as stupid as the Kaiser", in a reference to the Balkans crisis which fomented the first world

Meanwhile ministers reacted furiously to emotive criticism of the air strikes by Alex Salmond, the leader of the Scottish National Party. In a party political broad-

cast. Mr Salmond said that the effect of aerial blitzes was typically to "steel the resolve of the civilian population" and he cited the experience of London in the

second world war. Mr Salmond said the gov ernment was therefore bringing about the reverse of what it desired, by effectively silencing internal opposition to Mr Milosevic.

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Nato still against use of ground troops Kosovo, said in an interview with the Austrian newspaper opposed to the deployment Der Standard that "every-

By Gerard Baker in Washington, David Buchan in Giola del Colle, Neil Buckley in Brussels and Quentin Peel in London

In spite of growing public pressure to contemplate the use of ground troops in Kosovo, the Nato allies yesterday remained adamant that any such invasion against hostile Serbian forces was out of the question.

In Washington, US officials emphatically ruled out the use of ground forces and said there had been no discussion within Nato about it casualties. The same would since Operation Allied Force began last week.

in Italy, where he was viscampaign. George Robert-son, the British defence secretary, said the allies had neither the troops nor the a frontal attack up a narrow time to mount an invasion. In Brussels. Nato officials enemy platoon could hold up

said there were no plans for ground troops to fight their way into the mountainous territory, although they stopped short of ruling out the option entirely.

The refusal to contemplate future of Kosovo. to contemplate the possibiltion of a western protection

Wolfgang Petritsch, the

No single Nato member

could call a halt to the

bombing in Yugoslavia with-

out the agreement of all the

rest, although objectors

could withhold use of their

military forces. Nato officials

to the air attacks, and sug-

gestions by Massimo D'A-

lema, Italian prime minister.

that diplomatic efforts to

should resume quickly, have

raised questions about what

would happen should sup-

port for the bombing splin-

Officials said the decision

to launch air attacks had

been taken unanimously -

as Nato decisions must be -

cil, the alliance's top policy-

making body. Any decision

to stop also would have to be

said yesterday.

thing is now moving in this direction of independence for Kosovo because it is difficult to imagine that the Albanians will be willing to have to win it. And we have

Serbs after the massacres".

come is another matter. British defence experts argue in Beijing and Pyongyang the terrain in Kosovo would make any attempt to invade by road far too risky, with the probability of heavy be true of using paratroops mountains, "There is only Tim Ripley, a defence analyst at Lancaster University. "You would have to conduct mountain gorge, in which an

an army for weeks." The combination of politihas left the allies determined to succeed with air strikes.

"We can meet our military objectives with air strikes the use of ground forces until there is a political set- sive. "This is not a sensible comes in spite of an appar- tlement," said Joseph Lock- option," he said. ent shift in allied thinking hart, the White House press

The use of ground troops ity of outright independence. had been thoroughly exam-That would also almost cer- ined in a full review of militainly require the installa- tary options in Kosovo last autumn and had been ruled out as impractical, another spokesman added. "We have European Union envoy on no plan to fight our way into

NORTH ATLANTIC COUNCIL ALL DECISIONS REQUIRE UNANIMITY

Nato dissenters 'could

withhold military aid'

day-to-day meetings are usu-

ally attended by members'

ambassadors to Nato, based

permanently in Brussels.

Signs of Greek opposition moned at 30 minutes' notice.

solve the Kosovo crisis that turned against the cam-

by the North Atlantic Coun- stand up before their allies

operation.

said one official.

Ambassadors can be sum-

The unanimity rule means

that neither Greece nor Italy

the bombing. Any country

could, by themselves, end

paign could, however, with-

draw use of their forces and

tacilities. In the case of Italy,

from where many of the

Nato bombing sorties are

being flown, this would be

highly disruptive to the

and exploin their decision."

Javier Selana, Nato sec-

They would then have to

unanimous. The council is retary-general, last Tuesday

composed of representatives won approval from the NAC

from each of the 19 Nato to launch both the first and

members, either ministers or second phases of the air

US public opinion remains of land forces, but a number of Republicans have said Nato should consider it.

remain in a state with the to do whatever is necessary in order to ensure that this How to get to such an out- is not a failure because the lesson is not lost on people and Tehran and Baghdad." Senator John McCain, a contender for the party's presidential nomination next year, said at the weekend.

"We have to take whatever or helicopters to fly over the measures are necessary, even reluctantly introducing iting Royal Air Force units one way into Kosovo from ground forces, if that is the involved in the bombing Macedonia," according to only way to accomplish it," said Henry Kissinger, former secretary of state. However, in Italy vester-

day Mr Robertson outlined the military objections. He insisted that Nato can only provide immediate help to the Kosovo Albanians cal and military hesitation through air attacks because the alliance lacked both the troops and the time to mount a ground invasion to stem the current Serb offen-

> It was the first time a senior Nato minister ruled out a ground force, not for lack of political will or worries about casualties but because Nato could not mount a land invasion in time to stem the current Serb offensive in Kosovo. The UK defence minister

suggested Nato would have heavily mined by the Serbs." to field between 100.000-150,000 troops to take on the Yugoslav army "Where would you find and train enough troops for this?" he queried. "It would take two months to get them into formation. The terrain is very inhospitable. There is only one road from Macedonia into Kosovo, and it has been

Macedonia, with the promise of sending nearly 4,000 more. in readiness for the notional peacekeeping force Nato has said should be deployed in Kosovo if and when the Serbs and Albanians ever reach a power-sharing agreement for the province.

Mr Robertson said any

Britain has 4,800 troops in peacekeepers in Kosovo, plus not continue for long.

MONTENEGRO

existing commitments in Bosnia and Northern per cent of the British army strength would be on operational duty, "This is the highest it has ever been in peacetime," he said, adding that his generals had told

deployment of these British in the field to the total could ireland, would mean that 41 in would appear as an act of

war against the country of Yugoslavia rather than the regime of Mr Milosevic and his military assets and network, which so far have been the targets of Nato him this high ratio of troops

uprising against Sfor troops,

Srpska information minister

said that with the Bosnian

Serb army under close con-

trol and mainly formed from

conscripts who had not

fought in the war, there was

little likelihood of serious

The air strikes have come

at a particularly bad time for

the Serb entity in Bosnia.

hard on the heels of the dis-

missal of Nikola Poplasen as

president by Carlos Westen-

dorp, the international community's high representa-

tive. The dismissal - for an

alleged breach of the entity's

constitution - has led radi-

cals to dismiss the prime

confrontation at present.

Rajko Vasic, the Republika

REPUBLIKA SRPSKA PEACE MONITORING Strikes sour



above the 44th parallel, or phase four, withdrawal of Nato forces, would require further unanimous council decisions. So would any move to deploy ground An ethnic Alban

defence systems, and then

Serb forces in the area in

and around Kosovo south of

the 44th parallel, which

bisects Yugoslavia. But offi-

cials said Mr Solana had.

nonetheless. consulted

anthassadors again before

moving to phase two. There

Moving to phase three,

extending action to targets

was no opposition.

Officials added that Italy's launched from Italian bases. continuing practical support for military action was demonstrated by the fact that by any Nato member could ident, would be certain to many air sorties were being pose a severe problem for capitalise on such a split.

diplomats. In practice, campaign, targeting air

the alliance. Officials While it could not stop the acknowledge that Slobodan bombing, a change of heart Milosevic, the Yugoslav pres-

RUSSIAN OPPOSITION IMF BACKING APPEARS TO LEAVE PRIME MINISTER FREE TO CONCENTRATE ON BALKANS

Primakov tries to strike Slavic balance

By Andrew Jack in Moscow

Yevgeny Primakov's mission to help bring an end to Nato's military action in Yugoslavia gives Russia's prime minister a chance to respond to the surge in militaristic, anti-western feeling in his country over the last

Russia's show of solidarity with the Serbs has involved much theatre. Vladimir Zhirinovksy, the nationalist poli-

bled hundreds of volunteers to fight for the Serbs.

The demonstrations taking place outside the embassies of the US and other western countries in Moscow in the last few days have been modest in size. But in a country not known for spontaneous, large-scale protests. Nato has provoked widespread resentment.

Even Russia's unpopular pro-western, liberal ecoevening television show attempted to take advantage terday, he is free to concen- been disappointed with the they always end up fighting dressed in a military uni- of the mood. Yegor Gaidar, trate on resolving the course of economic reform with each other."

form. His party has asseme the former prime minister. Kosovo crisis. led a delegation to Belgrade over the weekend - although Serb hostility meant the move backfired.

Mr Primakov's action fails. While it was unclear whether the International Monetary Fund would withhold financial support for excessively anti-western international arena." he comments. With that fund-

Alexander Pikaev of the the economy." Carnegie Moscow Centre cites the renewed anti-Nato rhetoric as the latest development to offer parallels says, "Since the August Jeco-

and the westernisation of

"Slavic brothers"

Some of the protestors have played up the idea of solidarity with Russia's seems far more shrewd, even between contemporary Rus- reflecting the pan-Slavic ideif he will be exposed if he sia and the Weimar Republic ology first promoted under period in Germany in the Tsar Alexander III in the late late 1920s and early 1930s: 19th century, and encom-"There is a feeling that the passing the Christian Orthopublic has been humiliated dox world. However, as Ser-Russia, he held back from and Russia ignored in the gei Markov of the Institute of Political Studies points out: "The Slavs may regard nomic reformers have ing seemingly assured yes nomic] collapse, people have themselves as brothers, but

relations with Bosnian Serbs prospect of an organised

By Robert Wright in Banja Luka

International organisations in the Serb-controlled half of Bosnia-Hercegovina fear their ability to supervise closely the Dayton peace accord has been endangered by fury at Nato air strikes in Yugoslavia.

Sources said even good personal relationships with local politicians had been barmed, threatening their ability to monitor the 1995 peace agreement that brought to an end the war in

There have already been solated incidents of violence in Republika Srpska, such as an attack on a United Nations police task force station in Bosanska Gradiska. on the Bosnia-Croatia border. The British and US embassy missions in Banja Luka, the largest Serb town in Bosnia Hercegovina and the capital of Republika Srpska, were attacked and seriously damaged by rioters on Friday.

Perica Vucinic, of the respected Banja Luka magazine Reporter, said the strength of anti-Nato feeling also being given some say in could lead small bands of war veterans to attack the Nato-led SFOIL peacekeeping forces. Most observers believe the high numbers of guns still left in the hands of veterans throughout Bosnia-Hercegovina will pose a and the internationally guarthreat if the situation grows more unstable.

However, the nightly prolests in Banja Luka against the Nato bombing have remained peaceful and there appears to be no immediate sented democratic forces.

minister. Milorad Dodik. who is seen as more democratic. Mr Poplasen's sacking came as international bodies said they would create a special area for the town of GERVIANY: Brcko, which links the east and west of Republika Srpska and had been a full

part of the entity. The Moslem-Croat federation is now the running of the town, a window link to the outside world for the federation. The air strikes have been seen as the third and most serious blow to the prestige of both Republika Srpska democrats anteed Dayton peace plan.

Mr Vasic said he believed international organisations had shown little understanding of the difficulties facing those like himself who repre-

FRINANCY IN PEACE BO zees Blair line on Serbia

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TIMES

France, Italy pledge tighter tunnel checks

France and Italy yesterday pledged to tighten security in large European road tunnels and press for more freight to go by rail, after last week's fatal fire in the Mont Blanc tunnel.

The move followed a meeting between Lionel Jospin. French prime minister, and Massimo D'Alema, his Italian counterpart, at the French entrance to the tun-

The two leaders paid tribute to the 40 people so far known to have died in the

"We must draw the lessons from this tragic and exceptional accident, ensuring it is never repeated," Mr Jospin said.

The fire started last Wednesday in a Belgian truck passing through the tunnel. Fire brigades took 53 hours to control the flames. freight had grown five times coastal route along the Rivi-

Apart from examining since 1970. "In a few years, it era.

security in the tunnels linking the two countries, Mr Jospin said safety checks would be carried out on some 20 large tunnels inside France. "We must consider a relaunch at both national and European level of combined road and rail freight transport."

This appeal for a switch to rail freight was picked up by Michel Barnier, a Gaullist senator for the Haute-Savoie region, who urged the French and Italian governments to send "a clear signal" for a new high-speed rail link between Lyons and Turin, via a 52km tunnel under the Alps.

At a Franco-Italian summit in 1997, FFr350m (€53.8m, \$57.3m) was earmarked for studies on the rail tunnel. Both governments are still hesitating over the costs.

Mr Barnier said road

At present, only 10m of the 35m tonnes of goods carried through the Alps between France and Italy goes by rail; the rest goes by road. Of this, 12.7m tonnes goes

through the single gallery tunnel under Mont Blanc. The remaining Aipine road freight goes via the 12.8km Frejus tunnel, which has a more modern security and

Since last week's fire, most of the traffic has rerouted via the Fréjus tunnel. As a result, the average daily flow of heavy trucks through Fréjus has risen from 2,800 to 5,800; the number of light vehicles has doubled to 4,000.

Trucking companies said yesterday that switching to the Frejus tunnel added an extra 90 minutes to a journey. Others said they were opting for the even longer



countries keen to maintain state aid

European enthusiasm for state aid shows little sign of cooling off, according to new figures presented by Karel Van Miert, the competition commissioner, to the Euro-

pean Parliament yesterday. Subsidies given to manufacturing industry in the lander dropped by 30 per European Union between cent) and to a lesser extent be allowed to protect indus-1995/97 amounted to an France and Italy. There is tries or non-viable busiannual average of €37.7bn (\$40bn). Excluding Sweden, Finland and Austria (which sidies to Germany's eastern ment from one member state

joined the EU in 1995), the länder are stripped out. figure was €36.4bn compared with €42bn for the same of aid and the fact that the countries during 1993/95 - a 13 per cent drop.

However, the fall was almost exclusively because of a sharp decrease in aid levels in Germany, (where aid to the former communist report on state aids. no downward trend in the overall figure once sub-

"The continuing high level

current decrease is due to an exceptional reduction in Germany provide strong reasons for the Commission to maintain its pressure on state aid in the Community," said the

"Aid measures should not nesses and thereby provide a little headway in countries means to export unemploy- such as Germany and states with aid levels in granted to the pre-1995 EU

to another," it concluded. intensify pressure on member states to give stronger, possibly binding, commitments to reduce overall aid levels, viewed as a serious

Although the Commission has waged a relentless battle against anti-competitive subsidies, its efforts have made France, which continue to

distortion to the single mar-

support companies through The figures are likely to direct grants, tax breaks and

Officials fear that aid levels could go even higher now that the single currency has been launched and state assistance becomes one of the few ways left for governments to protect companies from more intense competi-

The report shows sharp disparities between member Greece six times higher than

in the UK and Sweden, the lowest subsidisers. Although the EU's four biggest econo mies - Germany, Italy, France and the UK - still account for most of the aid to manufacturing industry,

their share has decreased

from 87 per cent to 82 Germany accounts for 37 per cent, Italy for 28 per cent. France for 12 per cent and the UK for 5 per cent of the total amount of aid

Diluted farm reforms sap EU stance

A dilution of farm aid reforms by European Union European Commission insufficient to meet acknowledged yesterday.

The Commission insisted that the reform was the biggest ever negotiated for the RIP's Common Agricultural Policy and the union was in a "fairly strong position" for World Trade Organisation talks due to

start next year. However, a spokesman conceded the EU's position at the WTO would "not be as strong as it would have been

proposals been approved". The EU's trading partners, including the US and Australia, have been pressing hard for the union to cut subsidies for farmers that are directly linked to

proposed reforms, centring years time. on price cuts in cereals, bee and milk, with the aim of preparing the union for the

WTO talks and enlargement to eastern Europe. But in the last few hours of negotiations last week of the milk sector. government heads decided to scale down price cuts for cereals agreed earlier by farm ministers and to delay a reform of the dairy regime,

including price cuts, until

"stabilise" the CAP budget at about the \$40.5bn (\$43bn) level of 1999 during the government heads will reform period of 2000 to reduce the Union's 2006. EU officials, however, negotiating strength in are concerned that the forthcoming talks to diluted reforms agreed by liberalise world trade, the government heads will be

> The costs of the cereals regime is one uncertainty. By reducing cuts in guaranteed prices, from the 20 per cent agreed by farm ministers to 15 per cent there will be increased costs for buying in cereals, the scale of which will depend on world prices.

Diplomats were concerned the conclusions of the heads had the Commission's of government summit in Berlin made insufficient

allowance for this. They suggested yesterday that the budget over-run potential - together with pressure from the EU's trade partners in the WTO talks will force further farm aid The Commission had changes in two or three

The agreement provides scope for this by making provision for a further reduction in cereals prices in 2002-3 "In the light of market developments" and a review

It also calls on the Commission to report in to ensure that spending is line with the budget "stabilisation"

Paris cuts growth figures

By Robert Graham in Paris

The French finance ministry yesterday revised downwards its growth figures for the current year from 2.7 per cent to a band of between 2.2

and 2.5 per cent. The revision was the first by the emerging markets cri- cautiously. sis despite strong domestic demand. A statement from export-oriented industries were the most affected.

The slowing of industrial production was underlined yesterday by the March survey of manufacturing activity published by Insee, the official statistics institute. This showed the balance of companies reporting that the increase in production was well down, with stocks being cut to accommodate softer

Officials nevertheless

of the Group of Seven economies in Europe with gross domestic product likely to grow a full percentage point more than in Germany and

Analysts yesterday formal acknowledgement expressed surprise that the that French economic finance ministry had presgrowth was being hit hard ented its new projections so

The finance ministry said latter part of the year and forecast 270,000 jobs would

This year's budget was framed against a 2.7 per cent growth target and yesterday officials said the deficit would be held to its target of 2.3 per cent of GDP. However, the inflation target of 1.3 per cent for 1999 looked out of line as economists suggested consumer prices would increase only 0.5 per cent on current trends.

pointed out that France @ Germany's leading busiwould still be the strongest ness federations yesterday welcomed the government's suggestions it might withdraw some big state subsidies to finance corporate tax cuts, but warned implementation could be difficult, writes Haig Simonian in

Hans Peter Stihl, president of the German Industry and Trade Federation (DIHT). called for a 20 per cent cut in it believed the economy was subsidies over the next five package to lower company taxes. Hans-Olaf Henkel, president of the Federation of German industry (BDI), said it was unrealistic for the government to expect business to produce its own

> The associations were reacting to comments by Werner Muller, acting finance minister, that industry should agree to a "hit list" of state subsidies that could be withdrawn. A

Economic indicators for euro-11 countries Nov 98 Oct 98 Sep-98 1.1 1.61 8.8 10.8 790.2 762.1 707.4 673.4 57.0 1.3 88.7 827 D4 97 7 03 97 -Current account (Ecu bu) . 15 82 2.9

Weakness is a strength



unexpected ones, the euro's weakness since its launch is turning out to be the perfect gift for the European Central

The euro's 8 per cent fall against the dollar, though hardly expected in January, has effectively eased mone tary conditions in the eurozone without requiring the ECB to cut interest rates, a measure it was evidently reluctant to take too soon after the currency's birth.

At the same time, Europe's economic weakness - especially noticeable in Germany and Italy, which account for about half of the euro-zone's gross domestic product means manufacturers and exporters would dislike noth- US economy's unexpected ing more than a strong euro. strength and the euro-zone's

"A lower dollar – and bence a stronger euro would be quite a problem for Euroland," says Thomas Mayer of Goldman Sachs investment bank. "Investment growth would slow even more, with negative consequences for job growth. The loss of jobs would undermine consumer confi-

tion growth." A weak currency sometimes harms an economy by raising import prices and stoking inflation, but Adolf Rosenstock of Nomura unlikely to view this as a

"Unlike two and a half years ago, when D-Mark energy prices," he says.

dence and hence consump-

serious risk

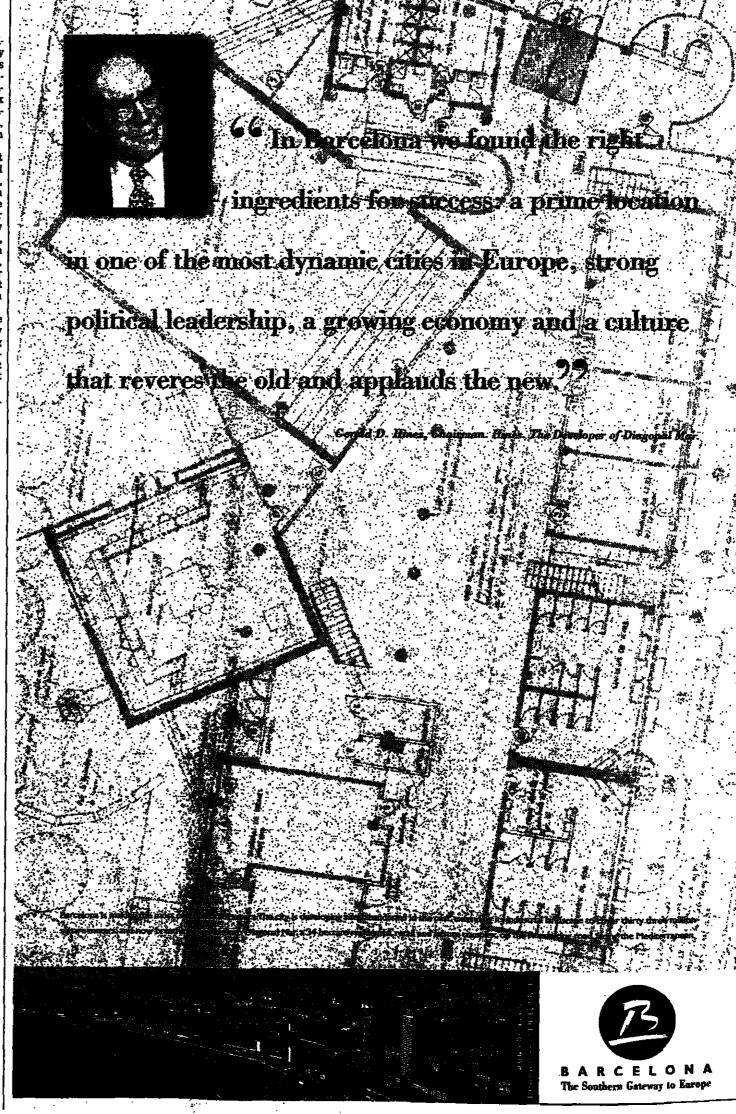
s threatened to rush import price inflation above 5 per cent, it is now easing the deflationary impact of collapsed raw material and Economists say the euro's weakness largely reflects the

kets suspect the US Federal Reserve will keep interest of this year, while the ECB's next move will be a cut. For its part, the ECB seems unbothered. "When

read that the euro has hit a historic low, one almost has to laugh. The euro is barely three months old. Every thing we observe is either a historic low or a historic high." Otmar Issing, the ECB's chief economist, said

Seen in this light, the big-gest threat to the euro-zone may be a fall in the US stock market that could herald a slowdown in its economy. "At present, the biggest

risk for Euroland is not so much an even weaker euro, but a lesser attractiveness of US financial assets," Mr Mayer says. "In this case, capital flows to the US would slow and the euro would rise. This would reinforce Euroland's domestic



Indonesia

The agreement built on

larger debt restructuring

pact reached last summer,

which called for reschedul-

ing of \$9.2bn in bank debt

falling due through Decem-

ber 31, 2001, and resumption

of trade finance. Bank Indon-

esia, the central bank, guar-

anteed all bank liabilities

early last year but only now

Officials said a steering

committee headed by Bank

of Tokyo-Mitsubishi. Chase

Manhattan Bank and Deut-

mature in 2002 through 2005

finalised the terms.

Tokyo sets out to shrink excess production capacity relief to

By Naoko Nakamae in Tokyo

The Japanese government yesterday made its first overt attempt to grapple with supply side problems such as excess production capacity, amid the country's worst recession in the post-

The government has set up a new advisory panel comprised of government officials and business leaders, which will convene every month this year to discuss policies to help revive Japan's flagging industries.

Although Japan has created numerous committees in recent years to address fundamental economic problems, this comes at a time of growing political consensus that the Japanese industrial sector needs to be reformed. It also comes at a time

In particular, the so-called Conference for Industrial Competitiveness, which get deficit and cannot spend includes Keizo Obuchi, prime minister, Kiichi Miyazawa, finance minister. Kaoru Yosano, Minister of International Trade and Industry, Takashi lmai, chairman of the Federation of Economic Organisation and the heads of Sony and Toyota, yesterday empha-

excess production capacity. "The time has come to start strengthening the supply side of the economy to put the economy on a self-sustaining recovery track," said Mr Obuchi.

sised the need for the corpo-

rate sector to get rid of

These proposals come at a time when the government is running out of fiscal measures to stimulate the econwhen an increasing num- omy. Although it has con- of the Japanese economy ber of foreigners are buying centrated primarily on was underlined by data in April.

measures to stimulate released yesterday showing demand so far, it is now an unexpected fall in indusfaced with a hallooning budany more money. It is also unable to ease monetary policy any further without entering unprecedented territory, as interest rates trend ever closer to zero.

Such policy problems have led the government to place emphasis on private sector tional public sector policies it has peddled in the past. The panel yesterday also

decided to consider introduction of a debt for equity swaps scheme to help cut the debt of companies who 3.6 per cent, but inventory scrap surplus facilities. A financial institution would 9.3 per cent. The Ministry of give up part or all of its International Trade and claims against a company in return for a stake in it.

■ The continuing weakness

trial output, weak exports and poor retail demand in February, writes Paul Abrahams in Tokyo.

Japan's industrial production fell 0.6 per cent month on month during February, according to the ministry of international trade and industry. The drop was accompanied by a 2.3 per reforms rather than tradi- cent drop in shipments and a 0.5 per cent rise in inventoon the rupiah. ries, mostly accounted for by a sharp rise in unsold

> vehicles. Year on year, output fell 5.2 per cent and shipments adjustment continued, down Industry predicted output would rise 0.8 per cent month on month during March, but fall 3.4 per cent

> > sche Bank, had pledged last week to swap outstanding loans to Indon banks and their offshore branches and subsidiaries for new loans guaranteed by Bank Indon-The new loans would

at interest rates of 2.25 to 2.75 per cent over Libor. facturing divisions. Bank Indonesia asked Specifically, it allows com-

creditors to extend maturities to June 1 of this year pending completion of the exchange offer. Short-term trade finance and loans covered under a 1998 interbank exchange offer would not be

Indonesia | Citic Pacific chairman brings urges China caution of other mainland companies in business decisions. People banks have come to light over the in China seem to have By Rainel Jacob

in Hong Kong

Closure of a large Chinese mainland investment company last year had been a vesterday announced it had agreed salutary warning for foreign creditors and local compawith 13 big commercial nies, despite the subsequent banks on a framework for credit squeeze faced by comexchanging short-term loans panies in China, the head of into longer-term liabilities the most prominent mainguaranteed by the central land-backed company listed bank, offering relief to the in Hong Kong said yestercountry's distressed banking sector and easing pressure

Larry Yung, chairman of Citic Pacific, the Hong Kong arm of Beijing's main investment vehicle, was commenting on the sudden closure of Guangdong International Trust and Investment Corporation (Gitic) last year which shocked foreign bankers who believed their loans were guaranteed. In addition to clamping

down on provincial companies with foreign borrowings, the Chinese government was trying to send a message to foreign banks not to suspend their standard due diligence practices when doing business in China, Mr Yung added. "[The government is say-

ing] when you invest in China, think about whether it is a good project and whether it has good management. Please look at its capability to repay you. This is a two-sided warning."

As the financial difficulties

past few months, "red chip" companies such as Citic mainland backed companies listed in Hong Kong via their subsidiaries - have on average seen their stocks plum-

Larry Yung: 'Please look at a group's capability to repay you.

beginning of the year, after a steep drop last year.

Mr Yung said that the frenzy in 1997 that saw investors bidding up the price of the shares of such companies to levels 30-50 times their earnings had been similarly devoid of business logic.

"There was a lack of the Hong Kong bank sector rides most fundamental analysis out the storm, Page 24

thought: 'It is so easy to raise money' In Hong Kong people thought: Buy it today, tomorrow it can double'," said Mr Yung.

The "red chip" mania was the most glaring example of the frothiness of a stock market and property bubble in Hong Kong that burst in late 1997, pushing the territory into a severe recession last year.

Recently, there has been a replay of the situation with loans to other provincial investment companies on toll roads and power projects backed by Chinese state or municipal authorities.

Foreign investors in toll roads, power plants and other infrastructure projects in China have learned that certain projects that they believed had offered a minimum return on their investments might not be able to

make these payments. Citic Pacific announced earlier this month it was selling stakes in a toll road and two water-treatment plants that promised such returns. Mr Yung said his company had had no problem receiving payments, but was concerned about the reliability of the returns going forward.

Boost for Japan petrol groups

By Alexandra Harney in Tokyo

Japanese petrol groups will be exempt from taxes on capital gains accrued by combining facilities starting in April, under new legislation that represents a substantial revision to the Japanese tax

The law, approved by the Ministry of International Trade and Industry (Miti) and the Ministry of Finance encouraging companies to where sluggish cash flows of New Business Creation. restructure and eliminate have prevented companies

as promoting new business development.

It comes as Miti is considto make it easier for manufacturers to shed excess

plants and workers. Analysts and industry exemption was likely to stimulate further consolidation and restructuring, par-

surplus facilities that are from closing excess facilities weighing on profits as well and merging divisions with other companies to cut costs.

"For (the oil companies), the restriction was like payering additional incentives ing the government, and for the weaker companies, that was a real deterrent," said Lalita Gupta, analyst at Deutsche Bank. "It was one executives said the tax of the problems that was stopping the industry from

consolidation," she added. The new exemption, part last month, is aimed at ticularly in the petrol sector, of the Law for the Promotion greatly expands the number

the troubled petrol and retail sectors, and makes it easier for companies to create join ventures that pool their sales, distribution, or manu-

panies to mothball and sell unprofitable facilities, and create a new corporate entity without paying tax on the resulting gains. Other provisions in the law are intended to stimulate foun-

Bank sale deadline nears, but selling off the state goes against the grain in Pakistan

The political obstacles to privatisation are still formidable in spite of the need for new revenue sources, writes Farhan Bokhari

work cut out for him.

As chairman of Pakistan's branches in Pakistan and 65 privatisation commission Mr branches worldwide employ-Asif is anxious to see the successful sale of Habib Bank, the country's largest, by tomorrow after two earlier deadlines passed without a credible buver emerging. That would be the good

The bad news is that an ugly protest against aspects of privatisation has been threatened.

Employees of Sui Southern, one of Pakistan's two gas companies, have said they would set fire to themselves outside the parliament building in protest at the sacking of 500 employees earlier this year. The sackings were part of a management plan to reduce the company's costs in prepara-

tion for its privatisation. While banks have managed to get away with sacking workers, other public sector companies have been promised a fightback by

The privatisation programme is essential for the country to help reduce large budget deficits, driven up year after year by public sector losses. It is a difficult choice for a country that own dynamics." went down the path of largescale nationalisation in the early 1970s followed by growing corruption and inefficiency in state-owned companies.

For the moment, Mr Asif is mainly pre-occupied with Habib Bank, the sale of which would give impetus to improve official revenues. Pakistan is bound under an Fund programme to reduce its budget deficit by more than 2 per cent of gross domestic product, bringing it down to 3.3 per cent of GDP receipts of more than confidence to recover."

hawaja Asif always next year. The last two deadknew he would have his lines for Habib Bank, which has more than 1,700 extended mainly because of concerns that the prospective foreign buvers may not have received subsequent clearance from offshore licensing authorities.

The offers came from four businesses, and Daewoo corporation of South Korea. None had previous experience of running a global banking network.

Habib Bank managed to record operating profits last year of Rsibn (\$19m) after a loss of Rs2.7bn the year before. However, its bad loan portfolio of Rs38bn constitutes a quarter of all nonperforming assets in the Pakistan banking system.

he authorities are hoping Habib's sale will give momentum to the programme. "We're now warming up and we're concentrating on three or four transactions," says Mr Asif, chairman of the privatisation commission. "If we can successfully complete these, the process will develop its

Next on offer after Habib is expected to be United Bank, the Karachi Electricity Supply Corporation, which serves the city of Karachi, and Pakistan Telecommunications Corporation, the national telecoms company. These are among the largest from a group of the programme and help to 53 companies eventually proposed to be privatised, raising more than \$20bn in the International Monetary next four to five years, according to the World

Bank. While 97 companies have already been privatised, with

the heart of the public sector has not come on board yet. Officials say that investor

confidence is likely to improve in coming months, after a recent agreement with the IMF for a new loan of \$575m. Pakistan has also restructured bilateral debt of ing a total of 22,000, were about \$3.3bn with its Paris club (official) creditors. The government says that it hopes to conclude negotiations soon to restructure at least \$1bn in commercial

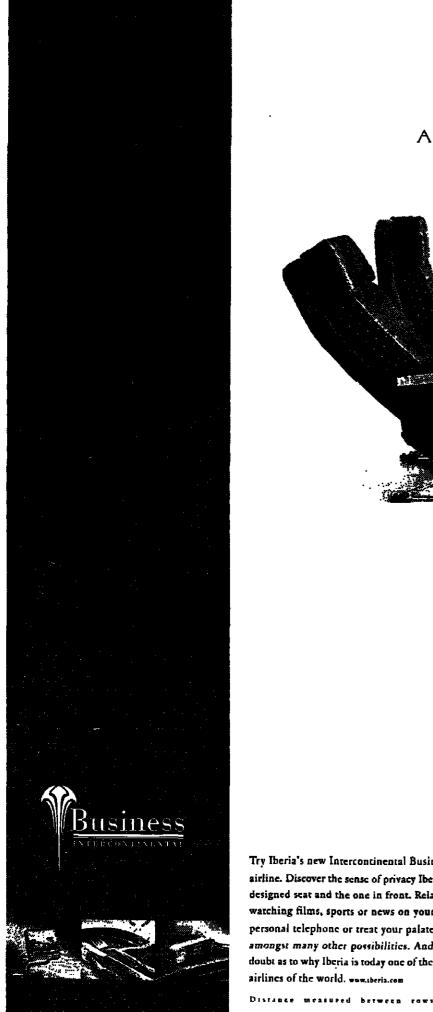
debt Critics are unconvinced groups of investors mainly investor confidence has suf-backed by Middle Eastern fered badly in the past two years, for a number of reasons. Until recently, the government's main anti-corruption agency has relentlessly pursued investigations into alleged corruption in 19 private power generation companies, many with foreigner participation.

No evidence of alleged "kickbacks" or bribes involving the previous government of Benazir Bhutto, with which the power companies concluded their contracts, has been made public. Critics say the campaign was a political vendetta, meant to prove that foreign investment under the former regime was primarily designed to deliver bribes to officials in Ms Bhutto's government. "People are genuinely frightened after the orivate power experience," says Zahid Zaheer, secretary general of the Overseas Chamber of Commerce and Industhe organisation of foreign busi-

nesses in Pakistan. There are also complaints about long delays. Telecom privatisation, for instance, was first announced eight

years go. "The long list of broken schedules, especially on telecoms has made many investors wary," says Abid Naqvi, chief analyst at Karachi's Taurus securities equity

"It may take a while for



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N_e I to Spain and Latin America.

Malaysia calls for help in combating viruses

By Sheila McNulty in Kuala Lumpur

Malaysia is calling on volunteers to help the authorities combat two deadly viruses emanating from ples that have killed more than 60 people.

Chua Jui Meng, health minister, said the volunteers were needed to help spread disinfectant and detergent around pig farms to contain the epidemic.

Eight soldiers involved in the clean-up operations were reported admitted to hospital with viral symptoms. They were part of a 2,000-

strong team from the army, police, fire and rescue department, veterinary services and local councils who have been working mostly to kill and bury 358,000 pigs.

The authorities had in the months since the outbreak began in October blamed the deaths solely on Japanese Encephalitis, which is spread from pigs to humans via mosquitoes. They had fumigated

infected areas to kill mosquitoes and recommended immunisations against the virus, called Hendra. But deaths had continued to

In March, they announced that another virus, similar to Hendra, was also to blame. The Hendra-like virus is believed to be spread to humans through direct contact with live, infected pigs, and is thought to be killed by disinfectant and deter-

Opposition politicians bave been critical of the authorities' failure to seek outside assistance and identify the second virus sooner.

Malaysia has finally called in experts from the US Centre for Disease Control and Prevention and Taiwan.

Teething troubles abound as Nigeria tries to wean itself off state ownership of industry

Privatisation is a key element in attempts to revitalise the economy. But vested interests, regional rivalry and fears of corruption have led to confusion and delay, reports William Wallis

hen officials of Nigeria's state-owned electricity company.

New years asked the right foreign in the big-Nepa, were asked the cause of a recent nationwide power cut, their response was to

cific chairm

ina caution

Was it the storms outside? Or was this the swansong of have been resolved with the the last functioning gas dismissal this month of the turbines at a thermal

At Nepa beadquarters in the commercial capital, Lagos, officials passed the question up and down the stairwell. But the roar of a diesel powered generator outside the building floored their attempts to persuade that all was well

ures of the national electricity grid, Nigerian business is spending millions of dollars each year on fuel for its own generators. The state, meanwhile, is unable to afford even basic maintenance of its collapsing utilities.

If an increasing number of Nigerians, including the military head of state. Abdulsalami Abubakar, now favour privatisation as the route out of the current economic cul-de-sac. a diminishing number are able to explain how and when it will take

Ten months after Gen Abubakar took office and pledged to sell off or commercialise more than 40 state-owned companies, his programme is in limbo. The plan was ambitious: to make irreversible progress towards the commercialisation of key utilities, symbolically sell some of the smaller companies and the oil refineries, and thereby tie the elected government he intends to hand over to by the end of May into continuing the pro-

Familiar Nigerian probmost damaging has been a government advisory bodies and grab a stake in every-for control of the pro- thing from fertiliser plants

gest inflow of investment Nigeria has seen outside the upstream oil and gas

This first battle appears to

This has renewed public ownership has played an ears that privatisation is important role in the politifears that privatisation is intended less as the motor of national economic growth than as a route to the

generals and their cronies. The response from the board of the Bureau of camp of the presidentelect

ment to this key sector of

are some of the same ten-

vital to IMF support.

For advocates of privatisation, disappointment that the outgoing military administration has been unable to stick to its plans is now outweighed To make up for the fail by worries that the incoming civilians will be even less effective

> Public Enterprises, and the sidelining of its on the plans, thereby casting influential chairman. Hamza

His own commitment to privatisation during 12 years of involvement in a faltering programme was questioned by some critics. But another one looms: between the outgoing military administration and the incoming president elect. Olusegun Obasanjo, and his People's Democratic party.

Officials connected with the recently inaugurated National Council on Privatisation - chaired by Gen Abubakar's deputy, Mike Akhigbe and including the finance and planning minis ters - say their plans are now modest and well behind the target outlined to the IMF in January.

"All we hope to do before the handover in May, is put the legal and institutional

Yet, there has been considlems have intervened. The erable speculation about a "rush" by the outgoing turf war between competing administration, to sell off,

cal dominance of the Moslem north. While many influential northerners appear to have accepted the principle of privatisation now, fears remain that the sale of public enterprises from which their patronage power has derived, will benefit

most other aspects of the Disagreements over the relative merits of golden shares and other side issues. have thus taken up valuable time when work on the complex regulatory framework

has not begun. For advocates of privatisation, disappointment that the outgoing military adminstick to its plans is now doubt on its own commitoutweighed by worries that economic reform which is the incoming civilians will be even less

and due diligence reports

Underlying the confusion effective. The list of potential obstasions which have led to cles is long. The national

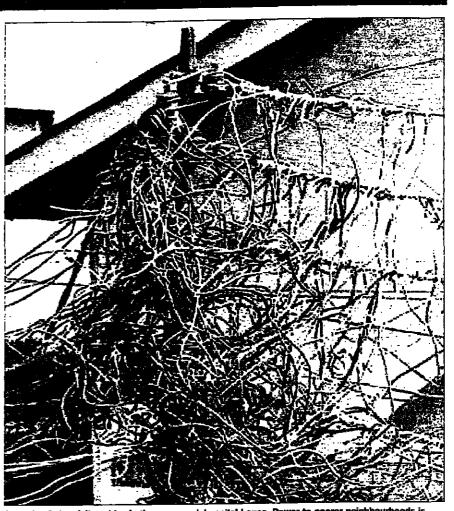
assembly is likely to string the details. There are fears that members may be vulnerable to financial inducements from those with vested interests in prolonging state owner-

Meanwhile the unions are struggling to reassert themselves after years of repressive military rule.

southern rivals who control "When the first man goes into Nepa to carry out due diligence, he may be stuck for months before getting any answers. They are all afraid of losing their jobs." a financial official adds.

Confronted with low oil prices and a deepening economic crisis. Gen Obasanjo will ultimately have little choice but to plough ahead. When he takes over there will be no room for spending collapsing refineries.

And without reliable power and communications, dreams of an economic revival for Africa's most populous state, are likely to remain just that.



A tangle of electricity cables in the commercial capital Lagos. Power to poorer neighb ittent at the best of times while industry is forced to use expensive diesel gene

ISRAELI ECONOMY

Bank chief forecasts 2.5% growth

Israel's economy will grow 2.5 per cent this year while cent, Jacob Frenkel, governor of the Bank of Israel,

said yesterday. His remarks coincided with a cut of 0.5 per cent in the key lending rates, to take effect next month. While it will bring down interest rates to 12.5 per cent, real interest rates are more than 8 per cent once inflation expectations are

bit too optimistic in its forecasts," said Christa Marti, senior economist at Warburg, Dillion Read, the investment bank.

The bank has set a growth forecast of 1.7 per cent. "Its monetary policy has been kept tight to reduce inflation. But the price is lower Asia falling as much as 20 growth." The economy grew 2 per cent last year but recorded a 0.4 per cent fall in per capita

Mr Frenkel, however, insisted he would continue to adopt a "cautious" monetary policy, given the "continuing uncertainty" in the global economies.

His priority, he added, was to keep inflation under control while preventing any significant devaluation of

Last year, after the economic crisis in Russia and minister in the May 17 poll.

ting truses

€ 9

By Judy Dempsey in Jerusalem south-east Asia, Mr Frenke increased interest rates by four percentage points in a bid to stem inflation and preinflation will fall to 4 per vent any run on the shekel which last year lost 10.2 per cent in value against the US

dollar. The economy has been flat for nearly three years, partly because the large Russian immigration, which reached about 170,000 a year between 1990 and 1995, slowed to less

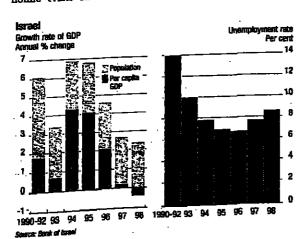
than 50,000 a year. The new immigrants fuelled a consumer boom taken into account.

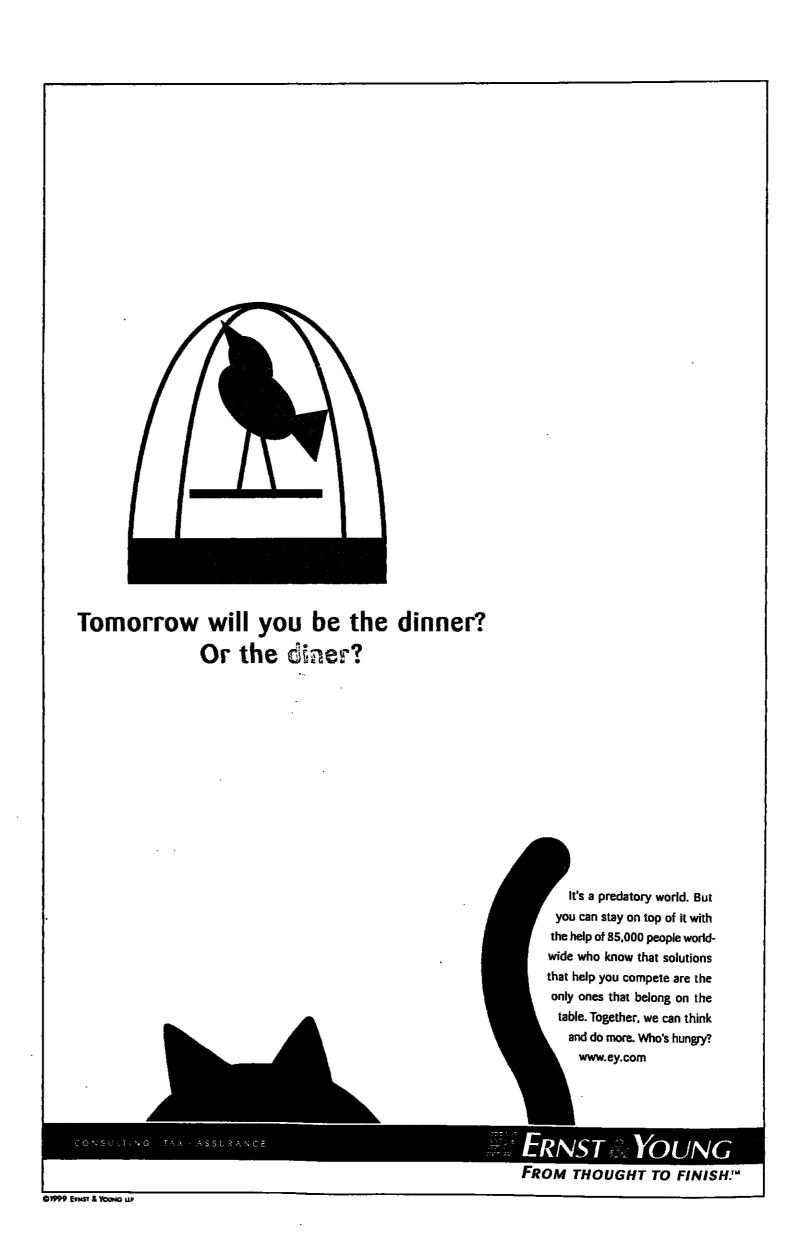
"The BOI might be just a which led to growth of 6.9 per cent in the mid 1990s. It also boosted the construction sector which last year fell 4.2 per cent compared with a decline of 1.7 per cent

the previous year. Israel's economy has also been hit by the global crisis, with exports to south-east per cent last year.

But ultimately, the economy is in transition, shifting from a low valued-added economy to one increasingly based on electronics and other high technology indus-

As a result, unemployment has risen from 6.7 per cent in 1996 to 8.6 per cent last year. Mr Frenkel said he expected little change this year, which will not bode well for Benjamin Netanyahu as he





with the US would intensify

they produced proposals that

met US concerns and satis-

EU offers olive branch on aircraft noise

By Michael Smith in Brussels and Guy de Jonquières

The European Union yesterday averted the immediate threat of a trade conflict with the US by postponrules to curb aircraft noise and promising to consider charges to the legislation.

The decision, by EU transport ministers in Brussels. was welcomed by Rodney Slater, the US transportation Europe last week to urge EU not expect it to act as long members to delay a decision. Yesterday's move, coupled with plans by the two sides

British Airways and Air before April 1 this year. France Concorde flights in retaliation against the EU proposal. The Senate began a two-

week recess at the weekend. secretary, who visited under secretary, said he did could cost them \$1bn.

EU continued.

The original EU proposal soon to start talks on resolv- would have prevented air- exemptions for aircraft tainty of the EU and US before talks with Washinging the dispute, is expected craft fitted with hush kits already using bush-kits working together to try to to dissuade the US Senate, at from flying in the EU after would apply from that date achieve global standards for least temporarily, from car- April 1 2002 unless they were rather than April 1. ing for a month adoption of rying out a threat to ban already operating there

> The proposal could force airline companies to buy over the next few months. If new aircraft to meet international standards on noise reduction. US airlines say fied EU objectives, the Euro-David Aaron, US commerce the EU hush kit restrictions

as the planned talks with the agreed that the directive and the European Parliawould be adopted intact by ment. April 29, except that the "Now we have the cer-

noise reductions. Many had Neil Kinnock, transport expected a Gunfight at the commissioner. said talks OK Corral. Now we have the Little House on the Prairie," Mr Kinnock said.

The US has asked the EU to co-operate with it on formulating a new set of noise pean Commission would pro- reduction rules that would amendments for be accepted globally. Mr

EU transport ministers approval by EU members Aaron called the offer EU's decision to adopt its noise legislation on April 29, ton had even begun, was pre-

> Assuming the EU and US can agree on changes to the legislation, it could take 18 months to get the amendments approved by the Europe's parliament and member states. However that would be enough to ensure changes were in place by April 2002.

Construction machine sales hit record

of the European single currency lifted last year's west London consultancy, shows.

The consultancy, which cent to 8,777. monitors the construction cent to 118,295 last year from 105,743 in 1997.

The figure was a record -Construction machines sold across Europe are valued at about \$20bn a year. including spare parts.

Demand for the equipment not including cranes, cement mixers and cement pumps -Off-Highway Research only takes account of 75 per cent lying measure of overall economic conditions.

Most of the sales are linked to big projects such as road or bridge building, in which government finance plays a large part, as well as house building.

Off-Highway Research says in its annual review of the industry that sales of the machines in the second half of 1998 "were little short of startling". This was linked to a sudden release of spending on building projects by west European governments. Most had curbed public spending in previous years because of the need to meet economic criteria for European monetary union, which

tancy about three-quarters struction in Europe is linked to public funds. Hence, the to a boost in the demand for hand equipment. machinery.

inflation and interest rates, where sales of new construc-

Caterpillar and Case of the US, Liebherr of Switzerland. JCB of Britain. New Holland the poor state of the Japa-

Southern European countries such as Spain and Italy saw a particularly big increase in sales of the 1999, Off-Highway Research. equipment: Germany also

several years of relatively muted growth.

Among the main European Stable economic conditions countries, only Britain expeand confidence over the start rienced a fall in demand, seeing sales of construction machines slip 5 per cent European sales of construc- from just over 18,000 in 1997 tion equipment to the high- to 17,336 in 1998. The biggest est for a decade, a report by year-on-year surge across Off-Highway Research, a the continent was in Spain, where sales increased 42 per

Smaller European counequipment industry, said tries saw increases in that west European sales of demand, the report indiconstruction machines such cated. Sales of the equipas excavators, climbed 12 per ment in the biggest four economies (Germany, France, Italy and Britain) accounted for 71 per cent of beating the previous peak of 106,210 units sold, in 1995. total west European sales, against 78 per cent in 1995 against 78 per cent in 1995 and 84 per cent in 1993.

After last year's sales growth, which followed a 7 per cent rise in 1997, demand for the equipment is likely to including excavators, load fall back this year, slipping 6 ers and dump trucks (but per cent across the continent against figures for 1998, the consultancy says.

Demand for new equipment was not significantly of this sector) - is an under- affected last year by the importing into Europe of large numbers of "grey mar-

European construction

ket machines from Southbegan on January 1. According to the consulof the total spent on con- low prices by some Asian

the consultancy said...

experienced an upsurge after London WC2 H9DL £225.

-5% -7% +7% +12%

east Asia. These constitute equipment sold at relatively producers hit by weak conditions in their domestic marrelease of government kets, and which are officially money for such projects led classed as sales of second-

Off-Highway Research's Other factors which figures show that the helped, increase demand for healthy trend in Europe was the entirement were low also seen in North America. tion machines rose 9 per The surge in demand bene- cent in 1998 to 169,685, from

sales fell 24 per cent to 78,142

This was a reflection of nese construction industry following the long period of

MEMBERSHIP OF WORLD TRADE BODY US OFFICIALS OPTIMISTIC OF EVENTUAL DEAL AFTER DISCUSSIONS WITH CHINESE LEADERS China enters last lap in

talks on joining WTO

By James Kynge in Beijing

The US said yesterday it had ted to leave Beijing tions in Washington that entered the final stages in talks on Beijing's proposed entry into the World Trade Organisation amid a host of new signs that strains in the bilateral commercial relationship have eased.

ontimistic that a deal can be done but as in any good negotiations, sometimes the most difficult issues are left to the very end," said Wil- for several months. liam Daley, the US commerce secretary, after talks yesterday with Zhu Rongji, China's premier.

"We are getting down to the final negotiations." Mr US businessmen on whether Daley added. He said it was wanted a WTO deal, despite vices and export equipment differences of opinion on the to China. Currently, foreign issue within the govern- companies are not permitted

The arrival of Charlene Barshefsky, the US trade jing has discouraged the representative, in Beijing import of telecoms equipyesterday was another posi- ment. tive signal that real possibilities for a WTO deal exist. Ms a welter of disputes in other Barshefsky had not been expected to visit Beijing for including US criticism over unless chances of substan- record, China's vehement

ine. Ms Barshefsky is expec-

It was far from certain, nuclear se however, that the US and laboratory. China would be able to reach even an outline WTO agreement in time for Mr Zhu's visit to the US from April 6 We are all cautiously to 14. Although differences were being closed by intensive negotiations, many remained. One official said that the talks could drag on

> But the immediate indications seemed heartening. Mr Daley said that Mr Zhu had given "very positive" answers to the questions of US companies would be able to invest directly in telecoms service enterprises and Bei-

The progress came despite

opposition to Nato's bombing of Yugoslavia and allega-Beijing connived to steal nuclear secrets from a US

China is keen to divorce its commercial relationship with other aspects of engage ment. A senior trade ministry official said yesterday that Beijing was keen to improve the investment environment for companies as a way of boosting flagging foreign direct investment.

Foreign companies would be allowed to form joint ventures with local trading companies, thereby winning the right to import and export and distribute goods in the domestic marketplace, the clear that Beijing really to invest in telecoms ser- official added. She also promised a "major" deregulation of China's partially closed retail market.

The US, too, seemed ready to ease restrictions. William Reinsch, under secretary at the US bureau of export 2,000 MTOPS (millions of theoretical operations per areas of the relationship second; limit on computer chip sales - which bars a



administration, said that a William Daley greets Zhu Rongji before talks with the Chinese leader yesterday

to be adjusted.

was under review and likely launched before June. would leader, said that US restricbe kept out of China. Liu tions on exports would Chuanzhi, the chairman of merely hand the market a second time this month China's human rights significant number of US to mean that lutel's Pentium Legend computer and the over to competitors from chip exports from China - Ili Xeon, which is due to be Chinese computer industry Europe and other places.

DALEY MISSION CONTRACTS FOR TELECOMS, AEROSPACE, POWER AND ENERGY COULD HELP EASE TENSIONS OVER TRADE SURPLUS

String of trade deals awarded to US companies

aerospace, power and energy sectors yesterday in a move sion over Beljing's large trade surplus before Zhu Rongji, China's premier, visits Washington next month. Enron International China Pipeline, a subsidiary of Enron Corp. the Texas-based dum of understanding to ogy.

Chinese officials have said

would help build.

The 750km pipeline would start rolling out a nation- agreement to buy 10 Boeing China Holdings, a US major-US companies in telecoms, be built in co-operation with wide CDMA network later 737s worth \$400m in a deal ity owned power company, way to subduing US criti- fitted a number of big compa- 156,375 in 1997. China National Petroleum Corporation, a state oil and gas company. Construction meaning sales of more than could start later this year.

US telecoms companies received a boost when William Daley, the US commerce secretary, confirmed that China was preparing to adopt US-developed CDMA company, signed a memoran- mobile telephone technol-

\$400m natural gas pipeline it that Unicom, the second Chi-nologies and Qualcomm. nese state carrier, would Chinese airlines signed an this year and service 40m customers by 2003 - possibly

> \$10bn in coming years. Mr Daley said Mr Zhu "did indicate the use of CDMA would be approved and is something he believes would be good for the telecoms sector in China". The main US

be Motorola, Lucent Tech-

that was first mentioned during President Bill Clinton's visit to China last year. The aircraft, scheduled for delivery after 2001, were destined for Air China, Xiamen

and Wuhan Airlines. The Boeing deal goes some way toward allaying concorporate winners from the cerns that overcapacity in permission are expected to China's alrline industry would lead to a sharp fall in

Airlines, Hainan Airlines

Power company under a 20orders in the next few years. In the power sector. Sithe year contract. The deals could go some

gained final approval to cism of China for its large build and own a \$454m trade surplus, which last ment in Europe, including year grew to \$57bn. They 600MW plant in Chibi city. Hubei province. The deal could mean more than \$23m for US contractors in the near term, with a Westinghouse joint venture in Shanghai providing turbines

for the plant. The plant is expected to

may also smooth the path of Mr Zhu, who faces criticism over China's human rights of Italy, and Volvo of Swerecord. allegations of Chinese spying on US nuclear

installations and because of US perceptions that Beijing has erected some new barrisell all its power to the ers to foreign investment Hubei Provincial Electric over the past year.

Deal on third generation mobile phone standards boosts European prospects

Alan Cane on the significance of the pact between Ericsson and Qualcomm

manufacturer, and Ericsson of Sweden, one of the telecoms industry giants, was designed to cut a Gordian knot of litigation which had been hindering progress towards the next generation of mobile phones.

The two companies agreed to abandon lawsuits against each other, to cross-license their respective patent portfolios and "jointly support a single world CDMA standard with three optional modes for the next generation of

CDMA is an advanced wireless technology developed by Qualcomm, which has been trying to establish it as the North American standard. The row had centred on ownership of CDMA patents central to the development of third generation technology.

Ericsson, moreover, undertook to buy Qualcomm's comm and Ericsson was the wireless equipment manufacturing plant in San Diego. California and Boulder, Colo-

rado. The GSM Association, representing manufacturers and operators of the world's most popular current generation of mobile systems, hailed it as a breakthrough, adding that: "The industry could now look forward to focusing on the real technology issues behind the development and evolution of third generation wireless stan-

Some argue that the agreedand of choice in 118 counthe European GSM lobby ing more than 150m tries with 324 separate a GSM flavour.

he accord announced over a fragmented and uncolast week between Qual- ordinated US mobile induscomm, the small US try. John Allen of the investment bank ARC Associates says: "This was a battle between David and Goliath in which David got whacked." As a consequence, he

believes, the prospects for the European standard GSM in the US market for digital wireless services have been greatly enhanced. The agreement will also boost hopes that Symbian, a joint venture between Ericsson. Nokia of Finland, Motorola of the US and Psion of the UK will prevail over Microsoft in providing the operating system for wireless com-

munications devices. The row between Qual-

most visible sign of the tur-

moil enveloping the mobile

communications industry as

it moves towards the third

generation of mobile phones

capable of sending and

receiving moving video

images, surfing the internet

and other advanced services.

standard for such phones

have been portrayed as a

manufacturers such as Erics-

GSM now the mobile stan-

Moves to establish a global

'This was a battle between David and

son and Nokia, keen to characterised the first gener-

repeat their success with ation of mobile phones.

Goliath in which David got whacked'

subscribers, and US manufacturers who fear they will be at a disadvantage if Europe is allowed to dictate the standard for services seen as the future of the mobile industry.

The issue generated sufficient heat for Madeleine Albright, US secretary of state, to write to former European industry commissioner Martin Bangemann pleading for fair play for US manufacturers.

Third generation services. however, remain several years away; there are, in any there will be enough subscriber demand for the new services to justify the huge

investment required. The battle today is for

domination of the second

generation market in areas

where GSM has so far had

little presence. Qualcomm

was the US standard bearer

for CDMA systems; now it

seems to have joined the

other side in working

towards a common third

and are more efficient and

The de facto world stan-

generation standard.

networks serving more than 150m subscribers. It does not, however, dominate the US market, where first generation phones still hold the lion's share of the market. According to the EMC World Cellular Database, at the end of 1998, more than 46m Americans had analogue phones compared with 9m using a digital technology called TDMA, some 6.6m using the digital technology pioneered by Qualcomm, CDMA, and only some 2.65m using GSM. The development of mobile

telephony in the US has been hindered by regulations which force the party being called to pay for the cost of a call, a measure devised by regional operators to prevent their local services being cannibalised. The US is therefore in the early stages of the move to second generation mobile services. It is. in fact, the last untapped market in a developed country available to GSM manufacturers and operators.

GSM is a mature and fea-

ture-rich technology com-

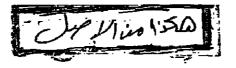
pared with CDMA or TDMA.

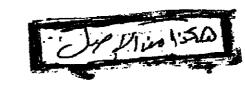
And it will be around for a long time. Technical developments are making it possible for GSM to provide many of the services associated Second generation systems with third generation make use of digital signals systems. The question raised by last week's concord. battle between European cost-effective than the anal- therefore, is whether Ericsogue technologies which son and others can use the foothold presented by the Qualcomm agreement to fos ter the use of GSM in the US. dard is GSM, the mobile sys- If it can, third generation ment represents a victory for tries with 324 networks serv- tem of choice in 118 counsystems will inevitably have

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS UNITED STATES 67.6 151.51 60.1 151.87 36.2 183.94 59.2 166.44 83.5 184.05 110.1 130.31 109.9 120.99 86.1 121.43 53.1 136.24 83.8 136.84 108.4 146.89 220.3 246.6 221.3 249.4 256.4 300.1 324.9 331.6 320.1 361.8 333.5 65.1 68.8 53.9 11.7 17.3 30.1 36.4 43.5 50.3 59.7 65.2 -73.6 1.7705 1 -104.4 1.1857 6 -89.2 1.2928 0 -107.7 1.2526 6 -137.2 1.1309 1 -207.9 1.1229 -43.2 1.0874 -51.7 1.1020 -58.7 1.1196 -53.9 1.1824 -48.2 -55.8 -53.7 -48.3 1st atr.1998 90.4 83.7 79.2 80.9 3.5 1.9836 0.8 1.9816 0.4 1.9697 1.5 1.9754 -0.6 1.9758 -2.4 1.9724 -1.3 1.9868 -2.5 1.9629 1.1 1.9660 -0.5 1.9627 -1.9556 8.2 140.17 6.5 144.28 10.2 149.80 9.0 154.60 9.1 159.70 9.4 155.56 9.6 145.8 9.9 140.65 9.1 137.66 10.5 131.41 120.5 117.8 114.5 110.6 110.5 107.5 113.4 124.7 29.5 28.6 28.0 27.1 27.0 26.0 26.2 27.1 26.7 27.0 29.5 102.5 103.0 104.1 104.1 104.2 104.7 105.4 105.8 105.2 105.1 109.7 110.2 112.3 113.0 114.8 109.9 105.4 106.3 105.2 n.a. 1.0937 n.a. 1.1102 n.a. 1.1022 n.a. 1.0992 n.a. 1.1569 n.a. 1.2021 n.a. 1.1569 n.a. 1.1562 n.a. 1.1562

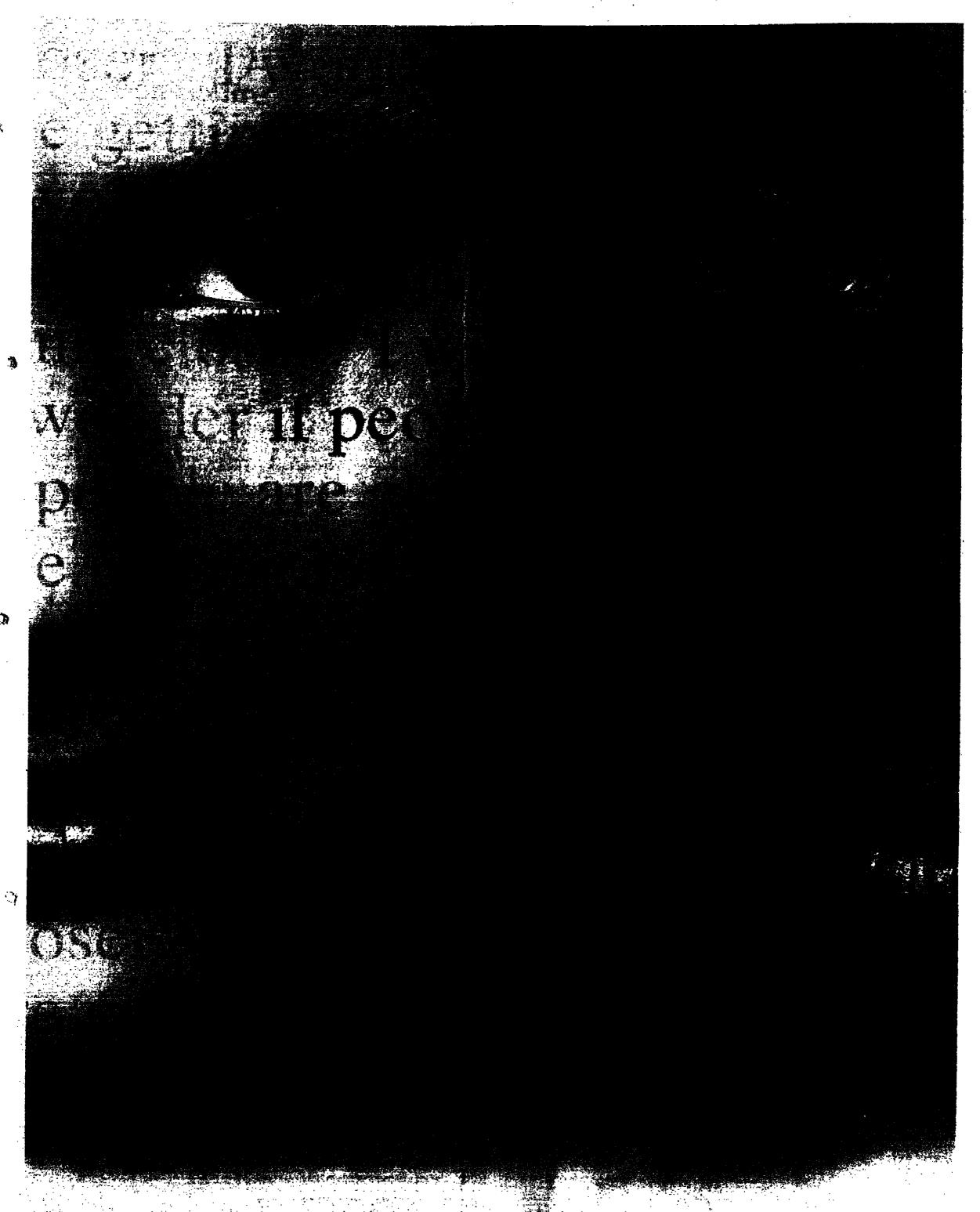
February	<u>-</u>			1.1199	105.0				130.51	132.1	0.24	62		1.9559 1.9558	104.6 103.7
	FRANC	Æ			•	ITALY					UNITED	KINGDO	DM		_
	Епропъ	Visible trade constant	Current secound balance	Ecu ecchange rate	Effective exch. rate	Exports	Visible irade balance	Ctarrent account balance	1200 6001 6001	Effective exchange raile	Exports	Viable trade telance	Current account belance	Ets enchange rate	Effective exchange
1988	149.5	-8.3	-3.6	7.0354	96.9	85.9	-7.0	-4.3	1536.6	97.6	121.5	-32.4			rahi
1989	171.3	-106	-3.8	7.0169	96.0	99.6	-8.8	-8 4	1509.2	98.5	137.6	-32.∓ -36.7	-26.4	0.6643	105.4
1990	176.0	-12.1	-7.6	6.9202	100.0	105.1	-7.3	-10.1	1523.2	100.0	143.1	-25.2	-34.9	0.6728	102.3
1991	182.2	-9.9	-5.2	6.9643	98.3	108.3	-8.3	-15.2	1531.3	98.6	148.4	-20.2 -14.6	-27.3	0.7150	100.0
19 9 2	186.6	-0.3	30	6.8420	101,5	113.3	-6.5	-18.6	1591.5	95.5	146.6		-12.0	0.7002	100.7
1993	177.9	8.3	8.1	6.6281	705.0	137.5	17.2	83	1836.7	80.4	156.9	-17.7 -17.1	-13.7	0.7359	96.9
1994	1964	6.9	5.4	6.5659	106.1	159.1	18.5	11.B	1908.6	76.9	174,8		-13.6	0.7780	89.0
1995	214.7	8.2	8.3	6.4460	109.2	196,9	23.5	22.6	2106,4	69.3	187.7	-14.3 -14.3	-1.9	0.7736	89.2
1996	223.9	11.3	16.0	6.4068	109 1	200.8	34.9	32.7	1932.1	75.7	208.6		-4.6	0.8190	84.8
1997	257.4	25.0	34 8	6.5925	105.6	209.2	27.4	32.5	1924.0	76.3	248.8	-16.3	-0.7	0.8026	86.3
1998	272.9	23.0	35.8	6.6137	106 1	215.6	24.5	23.3	1947.3	75.9	241.6	-17.2 -30.4	9.1 2.2	0.6908 0.6775	100.5
1st qtr.1998	68.0	5.4	79	6.6273	105.0	52.8	3.2	2.4	1948.6	75.3	62.7		— <u> </u>		103.9
2nd qtr.1998	68.1	5.2	8.6	6.6238	105.7	57.3	70	7.1	1948.7	75.7	62.1	-6.4	-1.0	0.6606	105.4
3rd qtr.1998	69.0	6.6	9.3	6.6105	106.5	52.6	8.9	9.7	1945.8	76.3	60.7	-7.2	-1.B	0.6665	105.4
4th qtr.1998	677	5.7	10.0	6.5931	107.3	53.0	5.4	4.2	1945.9	76.5	56.4	-7.8	3.5	0.6774	104.4
March 1998	22 7	1.7	1,7	6,6493	104.B	20.6	2.3	3.0	1953.3			8,9	1.4	0.7055	100.6
April	22.8	2.0	3.4	6.6428	105.1	18.8	1.5	0.7	1957.6	75.2 75.2	21.2	-23	n.e.	0.6532	106.8
May	22.5	15	3.4	6.6051	106.1	18.6	2.8	2.7	1942.5	76.0	21.1	-1.9	n.a.	0.6536	107.1
June	22.8	1.7	17	6.6235	105,9	19.7	2.6	3.7	1946.2	76.0	20.7	-2.9	n.a.	0.6783	103,4
July	22.9	2.0	4.2	6.6243	106.0	21.7	5.4	6.4	1948.1		20.9	-2.4	na	0.6783	105.4
August	22.6	1,7	2.1	6.6123	106.4	12.9	2.7	2.4	1946.0	76.0	20.8	-2.0	n.a.	0.6688	105.3
September	23 6	29	3.0	6.5949	107.1	179	0.7	0.9	1943.2	76.2	20.5	-19	n.a.	0.6757	104.6
October	22.2	1.4	3.7	6.5949	107.6	18.9	2.5	1.6	1948.8	76.6 76.8	19.4	-3.8 .	п.а.	0.6877	103.3
Novomber	23.0	2.0	34	6.5923	107.1	17.4	1.4	0.9	1946.6	76.8 76.4	18.8	-2.5	n.e.	0.7091	100.7
December	22.5	2.3	2.9	6.5819	107.1	16.5	1.5	1.5	1943.5	76.4	18.8	-3.3	n,a,	0.7034	100.6
January 1999	21 5	1.4		6.5536	106.7	13.3	0.2	1.3	1935.3		18.8	-3.2		0.7041	100.4
February		_		6.5597	106.0				1936.3	76.1 75.6	17.8	-4.0		0.7024 0.6880	99.6

Due to the introduction of the Single Marker, EC countries are currently changing to a new system of compaling trade statistics. All trade figures are seasonally adjusted, except for the Italian sones and the German current account, imports can be derived by subtracting the visible Lade balance from exports. Export and import data are calculated on the FOB 1990, shown in Italias, refer to the former West Germany. The normal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by





Construction nachine sales it record



Tes! With over 85 flights from the U.S. every week!

Indeed they are. In fact, we've added 200 new flights every week via our friendly Zurich hub, so that it's not just people that we're bringing closer, but the whole world. And we're certainly making it also easier to get around. So relax. Think your thoughts: And leave everything else to us. Swissair. We care,

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Pinochet legal challenges put on hold

Andrew Parker in London

The High Court in London ruled yesterday that fresh legal challenges aimed at freeing General Augusto Pinochet must wait until edly committed after 1988 to Jack Straw, the British home secretary, has decided whether to renew govern- Mr Straw to reconsider his

extradition request. Three judges gave the go-ahead to lawyers for Gen dictator under arrest in the UK, to challenge the governrequest and also to launch "habeas corpus" proceedings to free the former leader and

allow him to return to Chile. However, they adjourned both hearings until April 15 at the earliest to give Mr Straw sufficient time to reconsider his approval of the request from Spanish

The moves follow last week's ruling by the House of Lords, the UK's most senior court, that Gen Pinochet was immune from prosecution for crimes committed before September 1988. when the International Tor- ering the Spanish extraditure Convention was ratified tion request. Whitehall offiby the UK, but not for those cials expect Mr Straw to committed after then.

post 1988 period, Baltasar Garzon, the Spanish magistrate bringing the prosecution, has indicated his determination to press on with the effort. He has since filed details of other crimes allegthe UK government.

The law lords also directed ment approval of Spain's granting of the "authority to proceed" for the extradition following its ruling.

Lawyers for Gen Pinochet Pinochet, the former Chilean told the High Court that it was wrong for further proceedings to be delayed and ment's initial approval of the the former dictator left in "custodial limbo" while Mr Straw made up his mind.

Giving judgment. Lord Justice Laws said it would not be right for the High Court to act "in such a way as might allow Gen Pinochet to be discharged and leave the country without the secretary of state (Mr Straw) having the opportunity to reconsider the merits of this matter".

Mr Straw has received legal advice that he cannot quash his decision, made in December, which allowed magistrates to begin considstand by the decision. Spain is seeking to try Gen although he may have to Pinochet on charges of tor- give a new "authority to proceed" that takes account of ture. Although only 10 per last week's ruling by the law

PARAGUAY CRISIS PRESIDENT'S RESIGNATION GIVES FLEDGLING DEMOCRACY VITAL BREATHING SPACE AFTER BITTER CONFRONTATIONS

Misplaced loyalty ends Cubas' rule

If Paraguay's ex-president Raul Cubas Grau had one overriding political fault, it was not choosing his friends more carefully. Mr Cubas' unbending loyalty to one man, former general and would-be coup leader Lino Oviedo, plunged his government into a bitter confrontation with both the legislature and judiciary and paralysed his ambitious

political programme. Mr Cubas' resignation on Sunday night has at least partly defused these tensions and created a valuable breathing space for the country's fledgling democracy.

But incoming President Luis Gonžalez Macchi, former president of Congress, assumes control of a country with a shrinking economy and a total lack of consensus over the democratic ground rules. Paraguay also remains traumatised by the recent outbreak of political vio-

Mr Gonżalez Macchi himself sparked controversy in his acceptance speech on Sunday night by declaring he would serve out the remainder of Mr Cubas' term, until 2003. Many constitutional experts, and the opposition, maintain the new president is obliged to call fresh presidential elections within six months. A lowing both within the party refusal to do so risks sparking fresh turmoil.

The events of the past week have also stripped the ruling Colorado party of its two most powerful strongmen. Vice-president Luis María Argaña, assassinated last Tuesday, controlled the



party's principal faction with an iron hand.

Mr Oviedo - who was arrested after he fled to Argentina before his ally's fall - also had a fervent foland the country. The party has retained power for over half a century and its struc-tures are often indistinguishable from those of the state.

Mr Oviedo and Mr Argaña had been engaged in a brutal struggle for supremacy in the party, and large sections

of the local media have not his government in efforts to hesitated in branding Mr Oviedo as the vice-president's murderer. However, independent local analysts caution that there was as yet no clear evidence as to who instigated the killing.

Mr González Macchi, previously shadow of his mentor Mr Argaña, has a narrow window of opportunity to impose his leadership on the feuding party. He also appears willing to co-opt some opposition figures into

ensure governability and begin tackling some of the country's urgent problems. The economy at best stag-

nated last year and gross domestic product per capita is falling. Polls last month showed only 10 per cent of the population thought they lived better now than under the dictatorship of General Alfredo Stroessner, overthrown in 1989.

Despite the formidable May just as fervently.

at the change of president nered wealthy businessman and widespread relief in the seemingly out of place in a region that the country's land of fire-and-brimstone democratic structures had held. During the political turmoil both before and after vice presidential candidate, last May's elections, the armed forces scrupulously declined to intervene and remained subordinate to the political authority.

Mr Cubas' resignation. which headed off a Senate vote to strip him of office, was negotiated under international tutelage. Paraguay's partners in the Mercosur customs union -Brazil, Argentina and Uruguay – along with European Union ambassadors, the Vatican and the US. exercised powerful behind-the-scenes influence to keep Paraguay on the democratic track.

Paraguay is still in a political transition," said a political analyst. Carlos Martini. "Its democracy is so weak institutionally that its continuance is entirely dependent on outside pressures." Popular pressure, in the form of mass demonstrations by students and farm workers backing the Congress against Mr Cubas also played a constructive role in securing a largely peaceful transition.

Paraguayans took to the streets in their thousands in the capital on Sunday night, celebrating into yesterday morning under the tropical rain. Yet many of those hailing Mr Cubas' resignation probably celebrated his landslide election victory last

tion in the capital Asuncion for Mr Cubas, a mild manpolitical orators? Mr Cubas was originally his party's with Mr Oviedo heading the ticket. It was only the jailing of Mr Oviedo for 10 years for leading a 1996 coup attempt that projected Mr Cubas. much to his own surprise.

into the presidency. In the election campaign Mr Cubas made no secret of his intention to release Mr Oviedo. But his freeing of Mr Oviedo by decree only days after assuming office led to conflict with the Supreme Court, which insisted Mr Oviedo serve out his term, and with the legislature. which immediately threatened impeachment. A better strategy would have been to negotiate a reduced term for Mr Oviedo with the opposi tion, said Mr Martini.

Mr Cubas appears to have secured a deal giving him immunity for acts committed during his presidency, and may even allow him to become a lifetime senator.

However, by fleeing to Argentina Mr Oviedo appears to have burnt his bridges. "The coward Oviedo has fled like a rat. Yes like a rat." said one straight-faced TV news presenter yesterday morning. Reprisals against Mr Oviedo's supporters, or some form of desperate counter strike cannot be ruled out, further complicating the chances for the country's democracy.

Navigator 'agrees to make guilty plea' | US house sales may have peaked

Italy last year has agreed to Norfolk, Virginia, said. plead guilty to obstruction and conspiracy charges, a accused of destroying a vid-Marine spokesman said yesterday. AP reports from his radar-jamming EA-6B Camp Lejeune, North Caro-

Captain Joseph Schweitzer was expected to enter the plea at a hearing yesterday afternoon at Camp Lejeune.

jet cut a ski gondola cable in Corps Forces Atlantic at Capt. Schweitzer was

eotape that he shot before Prowler hit the gondola cable during a low-level training flight in February 1998. All 20 people inside the

A Marine navigator whose the spokesman with Marine Schweitzer had been due to against Capt. Schweitzer jury selection. But discussions between government lawyers and Capt. Schweitz-

Lejeune acquitted the jet's maximum five-year senpilot. Captain Richard Ashby, of manslaughter and other charges earlier this

begin late last week with were dismissed after the acquittal. But both faced the obstruction of justice and conspiracy charges because er's defence team delayed it. of the videotape's disappear-A military jury at Camp ance. Each charge carries a tence.

Two crew members were charged in the accident but those charges were dis- helped keep sales healthy at Manslaughter counts missed for lack of evidence. | a seasonally-adjusted annual

sales dropped 2 per cent drop in February, suggesting the US housing market has peaked.

Neverthless, low unemployment, strong income gains and high stock prices

Commerce Department and Department of Housing and Urban Development yester-

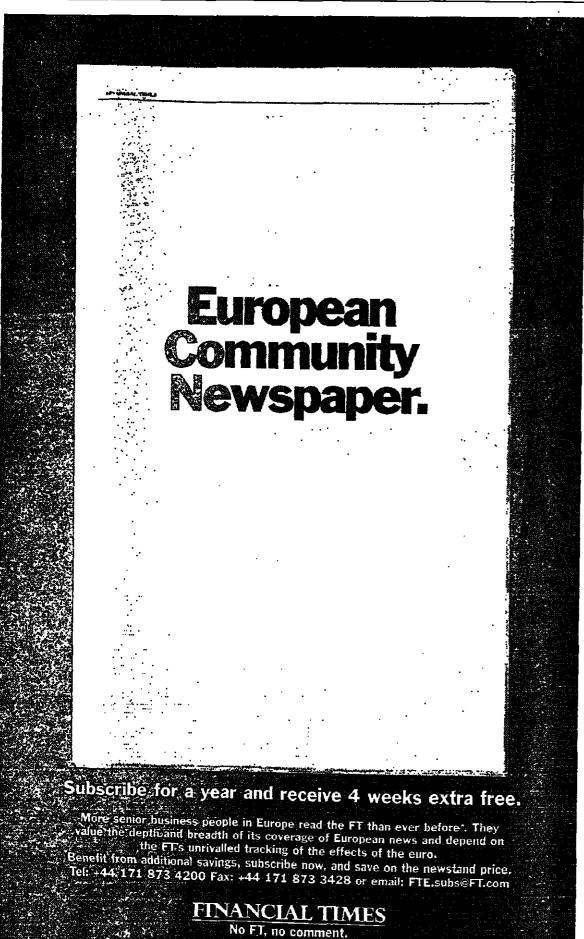
Mortgage rates bave increased from about 6.75 per cent earlier this year to 7 per cent and mortgage applications are running below the fourth-quarter leve!, suggesting sales will slow fur-

rate of 881,000 according to ther in coming months. - up 1.3 per cent from a year figures released by the US The data on housing ago - would not influence starts will probably come off the Federal Reserve's deciand if mortgage rates remain stable then housing activity will stablise," said Bruce Steinberg, chief economist

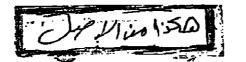
with Merril Lynch. The median price paid for new single-family homes February, at \$158,000. However, analysts said the figure

sion on interest rates when it meets today.

While the jump in house prices reflected continued market strength. Mr Steinberg said it was also caused by "a shift away from the less expensive regions in the south to the more expensive regions in the North".







Day Barry Barry Black

Live Screen T

AR REAREST LINE STAND MARKETER THE

Ted Stevens U.S. Senator

Orrin G. Hatch U.S. Senator

Bob Graham U.S. Senator

Spencer Abraham U.S. Senator

Tim Johnson U.S. Senator

Carl Levin U.S. Senator

Frank Lautenberg U.S. Senator

Christopher J. Dodd U.S. Senator

Dianne Feinstein U.S. Senator

Joseph Lieberman U.S. Senator

Charles Robb U.S. Senator

Robert Torricelli U.S. Senator

Judd Gregg

U.S. Senator Tom Harkin

U.S. Senator Richard Shelby

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Charles Schumer U.S. Senator

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Member of Congress Benjamin A. Gilman

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Sam Gejdenson

John D. Dingell Member of Congress

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Tom Campbell

Member of Congress Pat Danner

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On the occasion of the 38th anniversary of the accession to the throne of His Majesty King Hassan II, the National U.S. Arab Chamber of Commerce takes pride in the bipartisan demonstration of support by undersigned US members of Congress and endorsed by J. Dennis Hastert, Speaker of the House of Representatives, in recognition of the enduring friendship and economic cooperation which binds the United States of America with the Kingdom of Morocco, the first country to recognize American independence.

Congress of the United States

Washington, DC 20515

STATEMENT OF FRIENDSHIP

The United States and Morocco share an uninterrupted period of friendship starting with Morocco being the first nation to recognize the Independence of the United States of America and to have signed in 1787 a treaty of friendship and cooperation, the first of its kind concluded by the young Republic.

The United States and Morocco continue to share common values of liberty, democracy and peace as well as common interests and goals in global security, particularly in Africa, the Middle East and the Mediterranean region.

The continued maintenance of stability in the Magreb region and its environs, depends in great measure on the capacity of Morocco to continue to function as a stable and free country for all its people, advocating modernity and progress while being respectful to its own culture and heritage.

Under the leadership of His Majesty King Hassan II, Morocco has repeatedly demonstrated its resolve to foster the advancement of justice, democracy and human rights nationaly and through its role in the international community.

We the undersigned members of the United States Congress hereby establish

"FRIENDS OF MOROCCO IN THE UNITED STATES CONGRESS"

For the following purposes:

- The continued enhancement of awareness of the particular role Morocco and its Sovereign His Majesty King Hassan II have played and can continue to play in the Middle East peace process stemming from first bringing the parties together to Morocco's role in hosting the first Middle East and North Africa Economic Summit in Casablanca in 1994
- The continued promotion of goodwill and understanding between our two nations through increased contact between respective parliaments with the view to heighten the strides that our two nations have made in unison aimed at the promotion of regional peace and stability on the foundation of tolerance and human dignity for all.
- The continued expansion of trade and investment between our two nations based on the realization of the unique advantages Morocco offers in tourism, industry and natural resources, and on the great opportunities it offers for American products, franchises and other commercial ties with the region.
- The continued expansion of cultural exchange between academic institutions, non-governmental organizations and through visits by scholars, political leaders and the media.

Nicholas V. Lampson Congressman Dana Rohrabacher

Member of Congres

Carolyn Kilpatrick Member of Congress Nick J. Rahall II

Member of Congres Joe Knollenberg Member of Congress

Member of Congress

Member of Congress Member of Congress Dennis Kucinich Member of Congress Member of Congress

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Sonny Callahan

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Member of Congress Maurice Hinchley

of Congress

Bob Clement

issued by the National U.S. - Arab Chamber of Comm

Premiers hope to rescue peace deal today

By John Murray Brown

Tony Blair, the UK prime minister, and Bertle Ahern, his Irish counterpart, flew to Northern Ireland last night in an effort to salvage the peace agreement signed the new regional governalmost exactly a year ago. They arrived amid speculation that the Irlsh Republican Army may issue a statement saying its war is over.

hold a series of meetings Stormont, the Northern ireland assembly building, today in an effort to break the deadlock over arms decommissioning to allow

ment to be set up. The IRA traditionally against British rule and

The two leaders are due to security officials say republicans are likely to use the with Ulster's main parties at opportunity to soften its line on arms.

Mr Blair's office indicated that tomorrow was the "de facto deadline" if agreement is to be reached before partles adjourn for the Easter break. The Ulster Unionists insist the IRA start to disissues a statement to mark arm before members of Sinn the 1916 Easter rebellion Féin, its political wing, can

advance of the first anniver- to play down expectations of the first minister in the new sary of the agreement is rais- a breakthrough. "It's always administration, spent three ing hopes that a compromise formula can be found. The forces especially when we've Adams, president of Sinn UK government is understood to be considering selves for as long as we moves to withdraw troops from Northern Ireland as part of a comprehensive package of confidence-building measures.

However, Mo Mowlam, the

them that changes the nature of the question we

Mr Blair's arrival in ern Ireland, appeared keen Unionist party leader and useful to have external hours in talks with Gerry been talking among our Fein Mitchel McLaughlin, the Sinn Pein chairman, said have. But there's no miracle, the exchanges were "much there's no magic, there's more constructive than on nothing they bring with previous occasions". Michael McGimpsey, an Ulster Unionist negotiator, said an IRA statement would be

NEWS DIGEST

PANEUROPEAN LEGAL SERVICES

Firm spurns merger route to move into Netherlands

Freshfields, the UK law firm, yesterday announced it was expanding into the Netherlands in a move that may have profound implications for Dutch legal services. The firm has hired four senior Dutch lawyers to head a new Amaterdam office, with a number of others expected to follow soon. Three of the four come from Stibbe Samont, one of Amsterdam's too law firms.

Freshfields has adopted an aggressive "cherry-picking" strategy rather than seek a merger with a Dutch law firm. The strategy could encourage other large UK or US firms to follow the same route, so undermining the plans of some Dutch firms to seek mergers to develop a pan-European practice. The lawyers recruited from Stibbe are Peter Hendrick, former head of the firm's intellectual property department, Charles Langeris, former head of tax at Stibbe's, and Albert Jan van den Berg, an international

The fourth lawyer is Steven Perrick, until now a corporate partner with de Brauw Blackstone Westbroek, part of Linklaters and Alliance, Alan Peck, chief executive of Freshfields, said: "We have been looking at opening an office in the Netherlands for some time in order to consolldate our European network and enhance our international tax capacity. We are delighted that we have been able to attract such a high quality Dutch team to launch the office." Peter Roorda, of Stibbe's executive committee in Amsterdam, agreed the Freshfields' move had been aggressive, but he denied that the firm would be greatly damaged by the defections. John Mason, London

GROWTH PROJECTIONS

Call for fewer rural homes

Countryside campaigners called last night for fewer new homes to be built in rural England after the government issued projections suggesting an unexpected slowdown in household growth. The government said 3.8m households were projected to be created between 1996 and 2021 compared with 4.4m projected for the previous 25-year period ending in 2016. It revised down the figure for the earlier period to 4.1m.

Officials attributed the change to an increase in the number of couples cohabiting, compared with previous assumptions, leading to slower growth in single-person households. The 3.8m represents a one-fifth increase in households over 25 years. Brian Groom, London

SOCCER GAMBLING

Internet service to be launched

William Hill is set to become the first big UK-based bookmaker to launch an internet-based soccer betting service targeted at gamblers in the Far East, Europe and Asia. The soccer site will be operated from the isle of Man, which is licensed by the UK for betting but has its own tax

Tax laws mean that UK residents cannot currently place bets on the site, but William Hill, the UK's second largest bcokmaker, plans to develop a version of the site for UK residents that will be rolled out by August and will also feature internet-based horse race gambling. Initially, the Isle of Man site will enable customers to bet on more than 20 European soccer leagues. By the end of the year, the site will be available in four languages including English and Mandarin Chinese, to cater for William Hill's established client base in the Far East. Paul Taylor, London

CLIMATE-CHANGE TAX

Energy users warn government

Britain's big energy users yesterday warned the govern ment that the new climate-change tax could cause serious harm to their business. Representatives from sectors such as steel, paper and chemicals, told ministers at a meeting & resterday that even a 50 per cent discount in the energy tax would hit their competitiveness

The new tax will cost some companies millions of pounds a year, and ministers have acknowledged that they will have to give special help to the biggest energy users. John Prescott, the deputy prime minister and chief transport minister, is considering offering a 50 per cent reduced rate to the biggest energy users, providing they agree to make substantial cuts in their fuel use. The tax, which will raise about £1.75bn (\$2.85bn) a year, will be introduced in April 2001, and is intended to help Britain meet its international climate change obligations. George Parker, London

INSURANCE AND RISK

Stress is top concern

Companies are more concerned about claims of stress

Thoughts turn to possible collapse of the year-old peace deal

Shadow of unresolved problems falls over tense debate, says John Murray Brown

sense of gloom hung mise formula on the arms A over the Northern ireland talks yesterday as parties switched their thoughts to the possible collapse of the peace agreement reached a year ago this eek. What happens next is

far from clear. Mo Mowlam, chief Northern Ireland minister in the UK government, has said she will trigger the so-called d'Hondt procedure to set up the region's 10-member power sharing executive either tomorrow or Thursday. This will give time for Tony Blair, the UK prime minister, and Bertie Ahern. his Irish counterpart - who arrived separately last night take up their seats on the

With agreement, the process would be relatively straightforward. The system, named after a 19th century Relgian, uses the composition of the assembly to determine how many seats each party takes in the executive. It also determines in what order the parties choose the

ministries. The system is already used in the European parliament mittees and in a number of European countries for allocating seats in multi-seat constituency elections. If all Northern Ireland parties

three representatives of the moderate nationalist Social party and two each for the Democratic Unionists and

Sinn Féin, political wing of

the Irish Republican Army. If on the other hand, d'Hondt is triggered but the unionists refuse to take part, this would produce the result that the SDLP had five seats. Sinn Fein four nism. and the non-sectarian Alliance party one. In that event, Ms Mowlam has made it clear she would not be able to transfer powers from London. The peace process would thus be brought to an

abrupt halt. At this stage, the two govlast minute deal. There was

prise three Ulster Unionists, the IRA may seek to turn His resignation would autothe spotlight on the unionists by taking a more concil-Easter statement

meanwhile are already

sounding out the parties to establish just how the accord might be kept alive in the event of continued stalemate this week - perhaps through some sort of review mecha-The worst possibility is that David Trimble, the Ulster Unionist leader,

is run. He has repeatedly promised his supporters not to go into government with Sinn Fein while the IRA is ernments refuse to rule out a still retaining its arms, and - to try to find a compro- new executive, it would com- speculation yesterday that being pushed by the party. Northern Ireland.

matically force Seamus Mallon, the nationalist deputy Democratic and Labour iatory line in its annual first minister to step down as well, since the two offices Government officials are approved as a pair.

But more likely is that the UUP will seek assembly backing to have Sinn Féin expelled before names are put forward for the execu-

The motion is unlikely to be carried, as it would cross community support from the moderate nationalist SDLP. But the delay could well would resign as the region's drag proceedings past the first minister before d'Hondt Easter deadline. Without an executive in place, the UK parliament will also have to adjourn on Thursday without having passed the legislation providing the date for may wish to quit before the transfer of powers to



David Trimble: one feer is that he will resign as first minister

Dispute

over tax

delays

sell-off

Notice of Annual General Meeting on 23 April 1999

The Board of Directors of Tele Danmark A/S hereby invites Tele Danmark's shareholders to attend the Annual General Meeting which will be held at the offices of Tele Danmark A/S in Slet (Aarhus), Sletvej 30, 8310 Tranbjerg J, Denmark, on Friday 23 April 1999 at 11:00 a.m. The agenda will be as fol-

- 1. Election of the Chairman of the meeting.
- 2. The Board of Directors' report on the activities of the Company during the preceding year.
- 3. Presentation of the Financial Statements, including the Auditor's Report, together with a resolution for their approval. 4. Resolution to discharge the
- the Board of Directors from their obligations in respect of the Financial Statements. 5. Resolution regarding appropriation of profits or covering of any loss, as the case may be, according to

the adopted Financial State-

Executive Committee and

ments. 6. The Board of Directors proposes that Tele Danmark A/S' Articles of Association be amended. The most important contents of the proposal is as follows:

Tele Danmark Internet A/S and Tele Danmark Process A/S are added as new secondary names,

Article 1(2):

Article 2(1): The registered office of the Company is amended to the Municipality of Copenhagen instead of Aarhus.

Article 4(2): The Company's stock will be split in shares of denominations of DKK 5.

Article 4a: Until 22 April 2004, the Company's Board shall be authorized to increase the share capital by up to DKK 108,229,770. The new shares shall be negotiable instruments and registered in the name of the holder. The limitation of negotiability under article 5 of the Articles of Association shall apply. The increase may be effected by cash payment or by payment in values other than cash. Subscription of shares may disregard the pre-emptive right of share-

holders. Article 5(5):

It is added that the Board of Directors, the Executive Committee, or any member thereof may obtain proxy that constitutes more than 9.5 per cent of the voting rights, Article 8(1):

The General Meetings of the

Company shall be held in meetings shall be convened by a notice inserted in the Danish Official Gazette and in one or more Danish or international daily news-Article 12(1):

Amendment of the provision in such a way that admission card shall be obtained at least 5 days before the date of the General Meeting, and in such a way that evidence of the shareholding shall consist of the last annual transcript from the Danish Securities Centre or the bank with which the custody account is held, if the shareholder is not recorded in the Company's Register of Shareholders, and a declaration from the shareholder that he has not disposed of

shares before the General Meeting. Article 14(1):

Cancellation of the requirement that at least half the voting stock shall be represented at the General Meeting in order for it to constitute a quorum. Article 14(2):

the shares in the meantime

or will not dispose of the

Cancellation of the requirement that at least two-thirds of the voting stock shall be represented at the General Meeting in order for it to adopt resolutions to amend

the Articles of Association. Article 17(2-9): Introduction of an arrangement of alternates for the members of the Board of Directors elected by the shareholders at the General Meeting. Two alternates may be elected for the six members of the Board of Directors elected by all shareholders at the General Meeting. An alternate may be elected for the two members of the Board of Directors where shareholders with more than

9.5 per cent of the shares

of the shareholders possess more than 9.5 per cent of the shares, two alternates may be elected for the whole Board of Directors. In addition to that the Board of Directors proposes that changes for the reasons of consistency, modernization

and deletion of staled provi-

sions in articles 5(2); 5(9);

abstain from voting. If none

5(13-15): 6: 7: 11(2): 12(2-3); 16; 17(1) of the Articles of Association are carried 7. Election of members of the Board of Directors, including

the Chairman and the Vice-Chairman, and if desired election of alternates for the members of the Board of Directors. 8. Election of two Auditors. 9. The Board proposes that the

Annual General Meeting authorizes the Board of Directors - until the next Annual General Meeting - to acquire own shares at a nominal value of up to 10% of the share capital of the Company in accordance with section 48 of the Danish Companies Act. The purchase price of the shares in question must not deviate by more than 10% from the price quoted on the Copenhagen Stock Exchange at the time of the acquisition.

The adoption of resolutions about the proposals submitted according to item 6 of the agenda is subject to not less than two-thirds of the voting stock being represented at the General Meeting and moreover that the resolution is passed by not less than two-thirds of the votes cast as well as of the voting stock represented at the General Meeting.

If without a quorum being constituted as aforesaid at the General Meeting in question the resolution is nevertheless adopted by the affirmative votes of two-thirds of the votes cast as well as of the voting stock represented at the relevant General Meeting, the Board of Directors shall adjourn the General Meeting and reconvene the Extraordinary General Meeting within two weeks, at which reconvened General Meeting the proposal may be adopted by two thirds

of the votes cast as well as of the voting stock represented at the Extraordinary General Meeting. In the event that a General meeting is reconvened because the adjourned General Meeting was inquorate, proxies issued for the adjourned General Meeting shall be deemed valid also as regards the reconvened General Meeting insofar as they have not been revoked

The Agenda for the Annual General Meeting containing the complete wording of the proposals, the Company's annual Financial Statements with Auditors' Report as well as the Annual Report and the Consolidated Financial Statements 1998 will be available for inspection by the shareholders at the offices of the Company at the addresses stated below

from Wednesday 7 April 1998.

Any shareholder is entitled to attend the AGM provided that the shareholder has obtained an admission card. Admission cards can be obtained by writing or calling Den Danske Bank on tel. +45 33 44 51 40 from Wednesday 31 March 1999 through Tuesday 20 April 1999. The reference number used by the Danish Securities Centre (Værdipapircentralen) must be stated in connection with such telephone calls.

Admission cards can, furthermore, be obtained during the said period on the presentation of a securities statement issued by the Danish Securities Centre (Værdipapircentralen) or by a depositary bank at the Company headquarters at Kannikegade 16, 8000 Aarhus C, Denmark, or at the Company's office in Nørregade 21, 0900 Copenhagen C, Denmark, from 9:30 a.m. to 4:30 p.m. Such statements may not have been issued more than five days prior to presentation.

A Proxy and Annual Report 1998 will be forwarded by The Bank of New York to registered holders of Tele Danmark's American Depositary Receipts.

Tele Danmark A/S **Board of Directors**

EDANMARK

By Rosemary Bennett, Political Correspondent The government bill to

privatise the Commonwealth Development Corporation has been delayed by wrangling over tax treatment for the new company. Government officials have not agreed plans for the special tax treatment necessary to make the CDC, which offers only modest annual returns, attractive to institutional

Allowing the CDC, which invests chiefly in infrastrucjects in developing countries, to raise funds offshore was abandoned as politically unacceptable. Creating a new class of taxation for all companies investing in projects in developing countries was also abandoned as too costly and complex.

Instead, the government is drawing up special rules to enable the CDC to trade as if it were raising funds tax free. News that the bill had been held up again came just days after the CDC reported a £42m (\$68.5m) loss for 1998, its first annual deficit since 1954. The corporation blamed emerging market turbulence for the loss and said it had to set aside £155m

for losses in Asia. "This is the government's first privatisation and it's a disaster," said the opposition Conservative party. "The solution in the tax problem is to allow the funds to go offshore. That's the real world of finance today. This dithering will not inspire confidence. The government knows it

must attract institutional investors to the deal since it is likely to sell around 60 per cent of the CDC's £1.6bn of assets, too much for ethical investors to swallow.

from employees than they are about possible damage caused by the millennium bomb, according to a survey of members of the Association of Insurance and Risk Managers, whose annual conference starts today. The survey, conducted jointly with Lloyd's of London, found terrorism was the only type of risk thought to have diminished, with 52 per cent of respondents believing the growth of terrorism would be less serious in the coming year. Andrew Bolger, London

Quarantine rules stay for animals from N America

By Sathnam Sanghera in Lendon

The UK government has refused to end quarantine restrictions for domestic animals imported into Britain from North America because of the prevalence of rabies in the US and Canada. The much-criticised sys-

tem, in which animals are kept in quarantine for six months on arrival in the UK at the owner's expense, will remain in place for pets from North America despite last week's decision to abolish it in 2001 for animals imported from certain countries.

The exclusion of North America comes after a 1998 report to the UK government by a panel of experts said that rables was "endemic in wildlife in North America". The government's decision has created friction on both

lie Sinclair, director of veterinary issues for companion animals at the Humane Society of the United States, said: "With the technology that is available today, there shouldn't be any risk of rables spreading from the US to Britain through pets, There are some very good vaccines. The current policy

should be re-examined to

allow people to travel with their pets.' Laura Butler, a US fund. raiser based in Chicago for Passports for Pets, a British group which has campaigned for reform for five years, said: "This decision is really appalling. Almost 50 per cent of animals going

very high veterinary standards. "North America is simply

sides of the Atlantic. Dr Les- not a high rabies risk, and the continuation of quarantine is bad news for people who regularly travel to the UK for business.

Under a new "passports for pets" scheme, owners bringing animals into Britain from the rest of the European Union and other countries considered rabiesfree, will be spared quarantine. Instead, they will need to produce a certificate proving the animals had received anti-rables injections.

The government is carrying out a study looking at the risk that the UK would face if the quarantine system was abolished for American pets. The whole of the UK and Ireland are free of into quarantine are from rabies. More than 5,000 dogs North America and we have and 3,000 cats pass through quarantine in the UK every year, costing owners up to £1,500 (\$2,445) a time.

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the office of Arecal 30, 1996

IMF STUDY CRITICISES ECONOMIC REGIME

Central bank 'should be more explicit on rates path'

The Bank of England - the UK central bank - should carry a more realistic and explicit discussion of the likely path for interest rates in its quarterly inflation report, according to the International Monetary

A forthcoming IMF study argues that the monetary policy regime established by the Labour government pro-vides a suitable framework growth. to establish credibility and reduce the inflationary bias alternative inflation forecast of interest rate setting. But but this is based on the

"potential weaknesses". too. The study, written by IMF economists Jan Kees Martijn and Hossein Samiei, says that the credibility of the regime could impair the co-Bank's inflation forecasts ordination of monetary and may have been weakened by the decision - in May 1997 - the drawbacks should not be to give it control of interest

"A situation in which the forecasts suggest that the two-year-ahead inflation target would be missed seems highly unlikely, because then the report would be questioning the committee's own policy decisions," it

The report adds that the monetary policy framework could be strengthened if the assumption of unchanged rates in the inflation report was replaced with "a more realistic and explicit discussion of the likely future path of the interest rate - a practice followed by the New

Zealand Reserve Bank". "Obviously, the bank would have to make it clear that it was not committing where the Bank thinks rates itself to a particular path, so are likely to go.

jection at a later date without loss of credibility as new information became avail-

The IMF says this approach would be useful because a policy that delivers the inflation target two years ahead with unchanged interest rates might be inferior to a policy in which interest rates are altered so that the inflation target is still achieved but with less volatility in economic

The Bank does produce an it says the system has assumption that interest rates follow the path expec-

"Adequate exchange of

The Treasury representative on the bank's monetary policy committee does provide a broad guide to the Budget measures at the pre-

sense from the meetings of

Farm giant | Funding to shun modified food trials

Consumer Industries Editor

CWS Agriculture, the largest farming business in the UK. has refused to take part in the government's proposed farm-scale trials of genetically modified crops.

The trials, announced in October, are intended to director, said the group monitor the ecological had secured insurance impact of weedkiller-tolerant | cover for the parliamentary oilseed rape and maize when planted on a commercial structure project could go scale. If successful, they could permit the commercial of risk that might have planting of such crops from early next year.

But CWS, the farming wing of Europe's largest cooperative enterprise which had been asked to provide two of the four test sites for planting this year, said yesterday it had decided not to participate in the experi-

"We feel there is no clear consensus of opinion among the various interest groups as to how this should be achieved," said Bill Shannon, head of corporate affairs. "We have decided

not to take part." CWS's refusal, only weeks before planting was due to start, is the latest setback for the government's plans to restore confidence in the modified crops following a wave of public concern. The trials were part of a fouryear programme to evaluate their impact on wildlife and

on biodiversity. In February, Novartis, a developer of modified sugarbeet, said the government trials might not go ahead because of the difficulty in finding growers. It warned that farmers feared the crops would be targeted by environmental activists.

Later that month, Monsanto, the life sciences group which has pioneered many modified crops, was fined for a breach of safety regulations at a test site for modified oilseed rape in eastern England. This led to renewed calls for a five-year moratorium on commercial planting of such crops.

So far trials of the crops have been limited to small plots which are typically 36m by 10m. This next round | who are interested in the is to test the environmental impact when they are tal, infrastructure and planted over much larger regional regeneration beneareas in fields of 2.5 ha.

he special relationship between the UK and the US over past decades has extended over more than

foreign policy. In spite of the

the two economies, they too have shown a marked ten-

dency to move in harmony.

This has often been reflected in the currency

markets. It has long been the

ers that when the dollar goes

up, the pound generally fol-

lows. The pound has traded

in a narrow range of \$1.60-

\$1.70 against the dollar for

the past two years, while

swinging around by over 20

per cent against the D-Mark.

an easy entry into European

monetary union in the

future, as the government

hopes, it would aid the tran-

sition if by then the pound

moves with the euro rather

than the dollar. Some ana-

lysts detect signs that this is

David Bloom, currency

economist at HSBC, says

that sterling is in a "transi-

tion phase", caught between

the dollar and the euro. "So

far this year, the market has

been getting a good yield on

sterling assets and so has

about to happen.

But if sterling is to have

able," the study adds.

ted by financial markets.

The study also says that several features of the UK overstated because policy coordination was not particularly impressive when the Treasury was still in charge of both policies.

information between the chancellor and the Bank of England - including, for example, the advanced announcement of tax and expenditure measures that are likely to be included in the Budget - would clearly help policy co-ordination," the report says.

ceding meeting.

He or she can also gain a

sought for rail link to France

Central Railway, the private company planning to build a freight rail link from the north of England to the Channel tunnel, has launched a drive to raise £10m (\$16m).

Alan Stevens, finance vote needed before the infraahead, removing an element scared off potential inves-

tors. Central is planning its second application to build a freight link to the Channel tunnel and the £10m would fund the project up to the approval phase.

The first scheme was rejected by MPs in 1996 after criticism from communities along its route, who claimed homes would be blighted. The line will run from Liverpool in north-west England through Manchester, Leices ter and London to Lille in northern France. It would mainly carry freight but some passenger trains would

use it. Mr Stevens said Central was approaching potential investors in the UK and continental Europe, including contractors that could benefit from the construction of the link, financial backers and strategic transport

Central believes that the Labour government, which has stressed the need for an integrated transport strategy and is keen to drive freight off the roads, is more enthusiastic about its plans.

The group hopes to carry 40 per cent of all truck freight and believes it could carry up to 30m tonnes within two years of opening the line, taking 2m trucks a

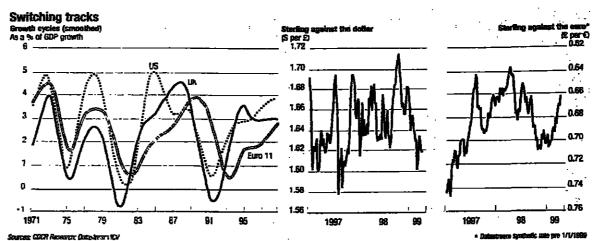
year off the roads. Andrew Gritten, Central's chairman, said the insurance, underwritten by J&H Marsh & McLennan, meant investors would be more confident.

"We already have a lot of support amongst parliamentarians in all parties project for its environmenfits." he said.

BRITAIN

Pound and dollar may soon reach a parting of the ways

As it becomes more desirable for sterling to track the euro, some analysts see an end to US-UK harmony, Alan Beattie writes



while the euro has fallen. \$1.50 would be more like fair But as time goes on we value for sterling against the should see the pound come closer to the euro," he says.

Michael Saunders, economist at Salomon Smith Barney in London, says condifor the pattern to be broken. The recent stability of the dollar-sterling rate has reflected perceptions that the two economies have similar trends," he says. "But there was a half-hearted this has reflected temporary rather than lasting factors."

dollar.

And Jim O'Neill, chief currency economist at Goldman Sachs, has detected the first signs of a growing consensus tions are falling into place in the market, although it is in theory there is no reason for the two currencies. one he does not share. But this has yet to translate into price action, he says.

"A few weeks ago, when the pound fell below \$1.60, attempt by some to link sterling to the euro. But in fact pushed the currency up. He adds that a rate around the pound recovered."

in dollar-euro than in dollarsterling or euro-sterling, the pound tends to get buffeted

down with the dollar rather than the euro," he says.

sterling should go up and

Mr O'Neill adds that since economy falters while the there is much more dealing US continues to power upwards, and the British government leans more and more towards Europe, many around by movements in the think that the time has come other two currencies. "But for the parting of the ways

The underlying reasons for the past synchronisation of US and UK business cycles Analysts have linked the are hard to pin down. It is close relationship between not likely to have been sterling to join the euro, the sterling and the dollar to the transmitted directly through past synchronisation in eco- trade: the US accounts for rates with those in the euronomic cycles between the just 10 per cent of Britain's zone should force the British

pared with nearly two thirds

for the European Union.
It is true that the two countries share a greater reliance on stock markets as repositories of the nation's wealth, and the movements of the Dow and the FTSE are largely connected. But th wealth effect" of rises and falls in share prices, at least in the UK, has not been strongly correlated with private sector consumption and hence economic growth.

In some ways the links between the UK and the US in the minds of the markets are somewhat superficial. Both countries are Englishspeaking, have a flexible service based economy and have moved away from state intervention in the economy But none of this should be enough to shackle the two

currencies together. The potential, therefore for a new paradigm of a sterling-euro link to take over market thinking is con-

siderable. CDC Marchés, the French financial institution, says that if the market expects convergence of UK interest two countries. But as the UK imports and exports, com- economy into line.



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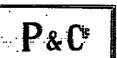
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MESS TE ESDAY MARCH 30 1999

MANAGEMENT INTERVIEW TOM TIERNEY

A future that lies with the stars

Professional service partnerships are booming but, the head of Bain & Co explains to Tony Jackson, they offer a lot of ways to go bust

enues of \$70bn-\$80bn a year. It is growing at twice the rate of the world economy, and has enormous indirect influence. But nobody is paying any attention to

He is speaking of professional service firms: partnerships in consultancy, law and the like. As befits an evangelist, he teaches the subject at Harvard Business School. He also has a more direct interest: he is worldwide head of Bain & Co, the management consultants.

In the slightly rarefied world of strategic consulting, Bain ranks state of California. "You have third in size behind McKinsey and Boston Consulting Group. And if McKinsey is secretive, Bain is a positive oyster.

The firm came to brief and unlikely prominence a dozen years ago with the Guinness stock market scandal. Bizarrely enough, it turned out that Olivier Roux, Guinness's financial controller and a key figure in the scandal, was a Bain partner on secondment.

Mr Tierney dismisses this briskly. "We made a mistake," he zero commitments says. "Ernest Saunders [Guinness chairman] asked that a Bain partner go on to his payroll. One man, one mistake. We will not do anywhere' it on my watch."

He is happier warming to his basic theme: how partnerships is going to be worth a gazillion govern themselves, how they are dollars in six months." developing, and whether they have lessons to teach the rest of the corporate world.

Tom Peters, the management theorist, has said that profesindustry. Mr Tierney is less sure

It depends, he argues, on the business a company is in. How far does one rely on star talent? How important is applied knowledge? How crucial is the ability to form external and internal

Tom Tierney is a man strategy consulting firm such as with a mission. His Bain is at one end of the industry, he says, has reverence. A capital-intensive cement manufacturer is at the

> Like its rivals, Bain relies crucially on attracting the best brink of collapse. talent. It is perpetually engaged, as Mr Tierney puts it, in star

"Companies like ours are driven by stars," he says. "We compete for the top quartile of the talent pool. Those people have lots of options. You don't just have to recruit them, you have to keep them, which is often a bigger battle."

Take, for instance, his home some brilliant young talent com-ing out of Stanford business school. They're entrepreneurial, aggressive and they have big dreams. They can go to work at Bain, or their buddy who is two years older has just started an e-commerce firm that they think

'It is now March 1999, and we have for March 2000,

If attracting talent is his main

worry, it is not the only one. Two other things make him lose sleep. sulting, you do business on a jects that are five years long, sional service firms are the handshake. It is now March 1999, model for the future in any and we have zero commitments for March 2000, anywhere in the world. We're not hired on

> Second, his firm does not capital. "But you have enormous partners [it has 175]. But it's not obligations: 2,200 people to pay, landlords to pay and so on. That to have 5,000." creates a very fast-moving, fluid environment. There are a lot of he argues, is different. The trick get complacent.

How? Well, he says, take the transition from the founder to the next generation. Bain knows all about this. Ten years ago the group of founding partners, led by William Bain, cashed in and left the business. The financial burdens this put on the firm and the resentment among lower ranks - brought the firm to the

Having survived that, he argues, gives Bain a hig advantage. "The failure rate in getting from first to second generation is pretty significant. So you have companies like Bain and McKinsey at the top, and a lot of first-generation companies down below. It's really hard to break through, and it takes two or

three decades." Another good way to kill a firm, he says, is through acquisition. "Suppose a strategy firm takes over a firm that specialises in re-engineering. So you have a group of strategy consultants selling projects to CEOs, and engineers selling re-engineering. The two don't meld very well. The only reason you do an acquisition is for so-called synergy, and the only way to get synergy is for the people who sell strategy also to sell re-engineering. It

turns out clients don't like that." Perhaps, I suggest, there is another way to get into trouble: to become so big that, whatever the advantages of the partnership model, the firm becomes more like a corporation.

Again, he says, that depends on the business you are in. "In strategy, we are selling a highly customised service: one size does not fit all. It's highly people-driven, knowledge-based and quickmoving. But if you take the big "One is that in strategy con- IT consultants, they've got proinvolving bundreds of people and bringing in \$50m or \$75m a year.

"I'd argue the partnership model is less necessary there. And in our business, the firms are smaller. It would be very difemploy a significant amount of ficult for Bain & Co to have 1,000 hard for PricewaterhouseCoopers



Firm hand: Tom Tierney says pertnerships such as Bain & Co are perpetually engaged in star wars to attract and to keep the best talent

of business strategy lies in deciding what not to do. Partnerships, with their more democratic structure, are naturally bad at that.

"The successful firms, the ones that have survived for decades, are the ones which have learnt how to do this. If a firm has let its partnership governance quality. overcome its ability to say no, that is an early indication of illness."

And the industry's headlong growth - 20 per cent a year throughout the decade, in Bain's case - makes this more tempting. 'Growth takes pressure off if you The real issue posed by growth, re not careful. It's easy to

geography. "It is easy to sign leases. But we're not going to sign them in Thailand or Kuala partners in Singapore than one in those places. It dilutes your

And, he says, Bain will remain solely a strategic consultant. "That's absolutely bucking the industry trend. The conventional wisdom says you've got to do it all. We are really good at strategy. We understand IT, but we absolutely do not sell IT ser-

The really interesting question,

"Because it will. Anyone who Lumpur. We'd rather have 10 cycle. Then the question is focused in previous years on strengthening their core

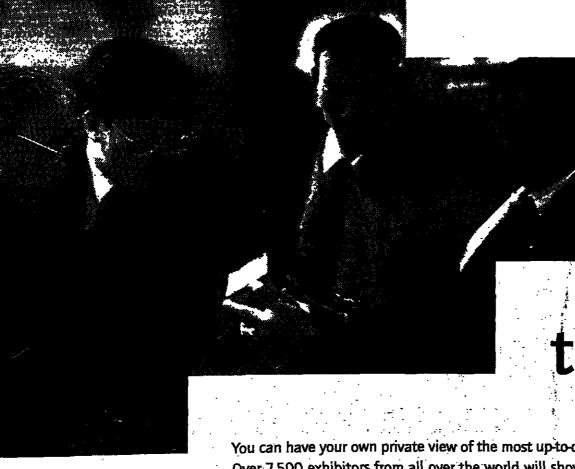
> The issue applies, he says, not their clients. "Take companies top line. If you drill down and ask what they are doing, it's not tation. I would argue that most and expanding their core business. If you don't have a core And that means saying no."

Thus, he says, he has aimed to be says, is what happens when business, when times go down restrict Bain's development by the industry slows down. you are demolished." The mistake companies make. doesn't believe in business cycles he argues, is to stray too far hasn't been through a business afield in a search for growth. "Then somebody comes into their whether people have been core business and clobbers them, they've got into areas that they

don't really know, and they're in

trouble." And if that is a problem for merely to consultancies but to Bain's clients, it is more so, he believes, for his rivals. "The tenwhich are good at growing their sion is between partnership management and strategic implemencomplicated. They are investing professional service firms do not implement a strategy very well.

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MANAGEMENT



PEOPLE ON THE MOVE

Robert Fleming follows ownership move with changes at the top

Robert Fleming Holdings, the UK investment banking and asset management group, has officially taken full ownership of Jardine Fleming, the Asian joint venture it snared for 28 years with trading group Jardine Matheson.

Jardine Fleming will keep its name and Hong Kong head office for Asia, but be run as part .of Flemings' global business. Flemings accompanied last week's final regulatory approval for the deal with a number of management changes.

Henry Strutt, JF's group chairman and managing director. becomes one of two joint chief executives of investment banking, together with Bernard Taylor, who was Robert Fleming's head of corporate finance.

Smitt will be succeeded as JFs chairman in Hong Kong by Tim Freshwater, currently deputy chairman, while Anthony McGrath steps into Taylor's

On the asset management side. Paul Bateman continues as chief executive, Tony Robinson becomes group chief investment officer and Clive Brown takes over as finance and operations director from Tony Doggart, who retires in October.

At main board level, Adam Fleming has retired as deputy .chairman and director. His vounger brother. Roddie Fleming. a corporate finance director at the bank, and Lord Renwick, former UK ambassador in the US and South Africa. replace him as deputy chairmen.

Both are already board members. Philip Fleming, cousin of Adam and Roddie and son of the bank's former chairman, Robin Fleming, joins the board to keep the controlling family's

representation at two. Rodney Leach becomes the second director from Jardine Matheson, which has raised its stake in Flemings to 18 per cent as part of the deal originally announced in December. Philip Wichelow, former finance and operations director, is to retire from the group board. Clay Harris, London

Daniels promoted by Citigroup

Citigroup, the financial services conglomerate formed by last year's merger of Citicorp with Travelers Group, has appointed a new head of its life insurance division.

Eric Daniels becomes president and chief executive of Travelers Life & Annuity, based in Hartford in the US. The job is one of the most important assignments in the company's ambitious attempt to cross-sell financial services products to American consumers.

The job became vacant after Michael Carpenter was promoted last year to co-chief executive of Citigroup's corporate bank, after the surprising resignation of Jamie Dimon, the former Citigroup president.
The appointment is a fresh

example of a former Citibank executive moving to a business from the former Travelers Group. Daniels spent 23 years with Citibank, including postings in Brussels, London and Buenos Aires, Appointments in the opposite direction include putting former Travelers executives in charge of the Citibank branch network in the US and in charge of the former Citibank credit card business.

All the changes are part of an attempt to persuade executives across the broadly dispersed company to maximise sales of products from other divisions. John Authers, New York

VSO chief to head **British Council**

The British Council, the body that promotes Britain's image and culture abroad, has named David Green, currently head of Voluntary Services Overseas (VSO), as its new director-general.

Green, 50, has spent most of his career in overseas aid and development. He takes over from Tom Buchanan, the acting director-general, who has run the council since last November when its previous head. David Drewry, quit in a row about

management policy. Baroness Helena Kennedy, who chairs the British Council, the new appointment's background would match the council's needs better than that executive officer. of Drewry, a geologist who only

ran the Council for 10 months. Green's *experience of managing a UK-based international organisation will be extremely valuable and his first-hand knowledge of life overseas will help him understand the issues we face with offices in over 230 towns and cities worldwide." said Baroness Kennedy. The British Council broke with tradition in recruiting Green, and his predecessor, by public advertisement and executive

VSO, the equivalent of the US Peace Corps, has some 1.750 volunteers working in 60 countries, and a total of 500 permanent staff in Britain and abroad. Its geographical range is similar to that of the council. though it is more focused on development work and has a strong link with the Department for International Development. Before his arrival at VSO in 1990 Green spent 15 years with the Save the Children Fund. David Buchan, London

Bowles joins **First Union**

Throughout his two-year stint as White House chief of staff, Erskine Bowles openly said he longed to return to the private sector. This month the former investment banker joined the board of directors of First Union, cementing a homecoming to both corporate life and to his native North Carolina.

He left the president's side in November to become general partner of Forstmann Little, the New York private equity group, where he started in January. Bowles is also juggling the managing directorship of Carousel Capital, another merchant banking and private equity company - a position he filled for a year before being appointed to the Clinton administration in November 1996.

Observers say his business

outlook, characterised by unpolitical punctuality and the proliferation of his own personal staff to manage the ranks below, was an asset while at the White House. Bowles, 53, once appeared to indicate a hope that described himself as a "chief

operating officer" with the president as chairman and chief

Prior to that, his political experience was limited to the top job at the US small business administration between March 1993 and September 1994 - a reward for his fundraising efforts during Clinton's 1992 presidentia bid. He then served as deputy chief of staff to his predecessor, Leon Panetta, for a year before starting at Carousel Capital. Panetta, in contrast, was a prominent 16-year veteran of the

House of Representatives. A southerner like the president, Bowles was tempted back to politics at the start of Clinton's second term. It was hoped someone with a non-partisan background would be useful for brokering a balanced budget deal with a Republican-dominated Congress

Bowles, who is firmly in the fiscally prudent, economically conservative wing of the Democratic party, characterised his own approach as more decentralised than that of his predecessors with an emphasis on delegating responsibility and accountability.

He originally said he would eave the post early last year but stayed on because the prospect of an earlier-than-expected balanced budget brought with it the opportunity for a more activist agenda for 1998.

His return to the private sector follows last year's departure of Franklin Raines, the White House budget director credited with balancing the US budget, to become chairman and chief executive of the Federal National Mortgage Association, the US residential mortgage group better known as Fannie Mae. Raines also shared a background in

investment banking. Other presidential insiders who worked alongside Bowles in 1995, such as Dick Morris, Harold Ickes and George Stephanopoulos, have also left the White House. Gautam Malkani, Washington

Koç appoints non-Turks to board

Koç, Turkey's largest conglomerate, has appointed three foreigners to its board as part of its efforts to broaden its international profile.

The new board members of the group, which is controlled by the Koc family and covers sectors ranging from car manufacturing to food processing, are: Helmut Oswald Maucher, chairman of Nestle SA; Wayne Booker, vice-chairman of the Ford Motor Company; and John McArthur, adviser to the World Bank and a former dean of Harvard Business School. Notwithstanding Koç's loint venture with Ford, the group said the three were picked for their international reputation rather than for any business connections with Koç. Leyla Boulton, Ankara

Eriksson to lead Smedvig

Smedvig, a Norwegian oil service company, has completed its one-year search for a new chief executive to replace its interim chief executive officer, who took over after Smedvig's leader of 26 years, Ole Melberg, resigned last

Christian Buli Eriksson, 42. takes over as Smedvig's new chief executive officer on July 1. Eriksson is currently country manager, Norway, for Brown & Root Energy Services/Halliburton, a competing oil service company.

Melberg, a driving force in building the company, stepped down as chief executive last March following cost overruns and completion delays with the construction of two drill ships for the oil industry. West Navion i and West Navion II.

As a result, the board appointed Stale Rod as acting chief executive officer until a new one could be found. Rod, who has worked for Smedvic since 1981, will return to his former position as head of Smedvig

Commenting on the appointment, Peter T Smedvig, chairman of the company, said that Eriksson was "an energetic and dynamic manager with a proven track record in business development and project management in particular".

Eriksson joins as Smedvig faces leaner times in the oil industry amid low crude prices and reduced investments by oil companies worldwide. The company is also in the middle of a NKr2.6bn (\$333m) law suit with oil company Exxon regarding

David Green, who is moving from VSO to the top job at the British Council cost overruns on a floating production ship for North Sea cilfield Balder. Valeria Sköld, Oslo

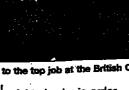
Efes after 27 years

Turkey's biggest beer and soft drinks company, to join STFA, a privately held conglomerate spanning construction, defence,

the merger of separately listed breweries and one maltery that constitutes Efes, said he would stay on the company's board, partly to see through the 27 years. Eles is owned by the Anadolu conglomerate. He is to present details of the

finalised merger plan to i international investors on a roadshow at the end of April or in early ... ay. The executive sees his new

which is experiencing some financial difficulties, as the "last challenge" of his business career. Describing the bank debts accumulated by STFA, which is owned by the Taskent family, as "manageable", he is convinced he can make the group profitable again with the help of financial and marketing skills.



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INUES INVE

Keremoglu to quit

liker Keremogiu is to step down in May as chief executive of Efes,

ship-building and catering, Keremoglu, 50, the architect of reorganisation of his employer of

role as chief executive of STFA,

Stressing that STFA's core competence is engineering even though it includes sectors such as catering. Keremoglu hinted that some restructuring

might also be in order. Leyla Boulton, Ankara

Moving places

 Credit Suisse Asset Management has appointed Joanna Meager to the newly created position of director of European operations. Meager joins from Salomon Smith Barney where she was director of the European team's Emu

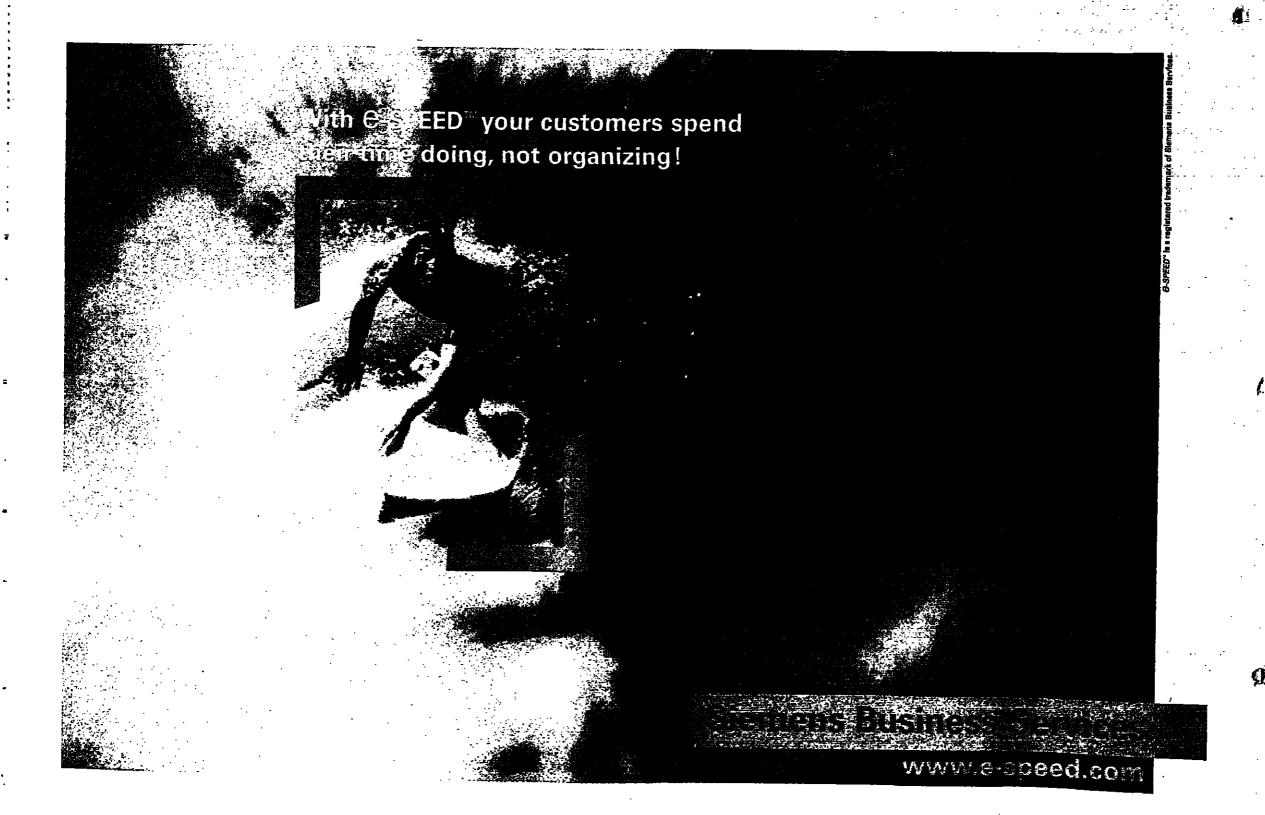
 LHS Communication Systems, a subsidiary of LHS Group, has appointed Nelson Campelo to vice-president, sales and integrations and delegate manager of LHS's Brazilian subsidiary, LHS do Brazil. Campelo joined LHS from SAP, where he was director of utilities for the company's Brazilian business unit.

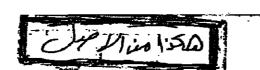
 Wildfire Communications has named Chris Hart as vice-president and managing director, Europe, to lead the European expansion of its voice-activated virtual ass called Wildfire. Hart, 42, joins from Nortel Networks. International logistics service provider Tibbett & Britten Group has appointed Tom Brown, 44, to the newly created position of

operations director at its Continental Europe business unit. Brown joins from BOC

People on the Move is edited by Lisa Wood. Phone 00 44 171 873

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The UK is a maritime nation, or rather it was: and whatever greatness historical correctness still allows Britain to pride itself on was founded upon a command of the seas - Britannia Rules the Waves and all that It trades still around the world. perhaps as much as ever, but the container traffic by which it keeps it up is now all but invisible, certainly unromantic, and probably registered abroad.

STEAN MARCH 30 1994

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in - payments

It was only 40 years ago that the cranes still worked along the Southwark bank, and all those smart flats and studios beside the Thames were warehouses stuffed with merchandise. And as with the Port of London, so it has been, more or less, with all the ports, large and small, from Newlyn to Peterhead. The Sea no longer holds the central place that once it did in the national

Behind the spectacular £20m redevelopment of the National Maritime Museum (which has thrown the largest free-span glass roof in Europe across its former central courtyard) lies the prime intention to address this perceptual shift of attitude in a more positively didactic and interpretative manner. As is the way nowadays, this means a more explicatory approach which may work, or may not. We know how intrusive yet, in other moods, how engaging, such things can

ranges of new galleries dedicated to the museum's unrivalled collections of paintings, drawings and engravings upon marine subjects of all kinds, and more than im photographs and negatives. we may look forward to a long future of interesting, infinitely various exhibi-

An immediate gesture symbolic of this commitment to art has been the commissioning of seven young or youngish artists to respond to the museum's collections, or its general purpose, or their own experience of the sea, but not as a collective exercise. Each artist has worked alone, and the results, which will remain permanently in the museum, are unrelated to each other,



inter-active, audio-visual, isolated and shut off in its on special gallery: Humphrey Ocean's nicety ironical The First of England

Sea visions all but beached

With two handsome William Packer surveys the specially commissioned works of Britain's new National Maritime Museum

have worked, an invitation "sound sculpture" (that pliindeed to do more or less anything they liked, and in principle, in its open yet discreet embrace of the contemporary, the initiative is broadly to be welcomed.

But in the event, it is also predictable in the kind of art that it addresses, with all but one of the seven works conceptual to a degree. Some work there was bound to be, and individual pieces are unexceptionable, but close to 87 per cent is a bit much. Certainly "The First of England", Humphrey Humphrey Ocean's large and nicely ironical painting of modern voyagers on the deck of a cross-Channel ferry off the White Cliffs of Dover, is isolated still further by being

shut off in its special gallery.

that greets us at the gates of the museum with the sound of the waves crashing on the Chesil Beach. All very evocative and mood-inducing, but, live or recorded, just when, some of us might ask ourselves, does a sound effect become a work of art?

Directly inside the new main entrance is Lucy Blaksted's video wall, a nicely worked exercise from a distinguished documentary film-maker. It is called "The Shipping Forecast, Wednesday 9 December 1998 12.01 GMT", and is the combined product of the far-flung cameramen who, watches synchronised at Blaksted's direction, filmed the sea on the spot as the familiar Sea The scene, or rather tone, Area litany for the day was

Tacita Dean has continued able and concrete medium), to work upon her fascination with Donald Crowhurst, the yachtsman who, having falsified his position, was lost at sea on the single-handed Round-the-World race of

Here, her "art-work" consists of a simple text, "TT IS THE MERCY", the final entry in Crowhurst's log. inscribed on the balcony rail above Sir Robin Knox-Johnston's own round-the-world yacht, Suhaili - very poignant and meaningful. She has also taken photographs of Crowhurst's trimaran, Teignmouth Electron, now a beached and derelict hulk on the Cayman Islands...

Stefan Gec's contribution. "Faedm", is a blue globe, now much buckled and pushed in on itself under minutely painted with num- of these commissioned bers registering the depths in fathoms at various points of the world's oceans. Kasia Moraska has made a bronze sculpture, "The Bridge" loosely based upon the naval

And Rosie Leventon, last of the seven, has made a delicate abstracted boat consisting of small panes of glass strung together in mid-air. It hangs close by the stern-gallery and figure-head, which are all that survive of the Implacable, the French manof-war taken at Trafalgar and blown up by the Royal Navy, just after the last war, in an act of penny-pinching, unimaginative, unnecessary

vandalism. Called "Absentee", as if it

testing chamber, and painting the most successful works, for being the least literal, limited and imaginatively limiting - the sins of conceptual art.

> Ambiguous in its presence intriguing in its form and substance, entirely itself, it is a proper sculpture.

New Visions of the Sea: The National Maritime Museum, Greenwich, London SE10: a contemporary art initiative supported by the National Lottery through the Arts Council of England, with grants from the Henry Moore Foundation, the Esmee Fairbairn Charitable Trust, The Elephant Trust, Marks and Spencer, Rankin Glass, the National Hyperbaric Centre and the Friends were the ghost of a ship, it is of the National Maritime

CONCERTS IN LONDON

Spotlight on the Big Three

good opportunity to check the musical health of the UK. Three of its leading orchestras were in London and each came with a music director very important to it either past, present or future.

At the Barbican, the Royal Philharmonic Orchestra was on show with its present music director, Daniele Gatti. We seem to see less and less of this orchestra live these days; sadly, Thurs-day's concert did not encourage one to see it more often. Although the musicians of the RPO played well enough, the programme - one of its Berg and Mahler series had nothing in it to enjoy. Catherine Malfitano sang

painfully out of tune and with no romantic beauty of tone in Berg's Seven Early Songs, though she fared better in the three fragments from Wozzeck. Gatti's performance of Brahms's Second Symphony was like wading through treacle. Everything was stickily legato and Gatti underlined the important moments so lugubriously that the symphony's feet stuck to the ground.

On Friday, the City of Birmingham Symphony Orchestra returned to the Roval Festival Hall for the latest in its Towards the Millennium concerts. It was the past music director this time -Simon Rattle, who has been the driving force of this survey of music through the 20th century.

With only a year to go, Towards the Millennium has reached the music written in the 1960s, recent enough to make picking winners difficult. Kurtág's Grabstein für Stephan is concerned with effects rather than substance and looks unlikely to survive for long. Birtwistle's Earth Dances, played last, creates a powerful sense of having been drawn up from the depths of some primeval soul, but take any five minutes of it and they tend to sound like any other five. The piece most likely to

was Gubaidulina's Offerto-rham. Though disjointed and fragmentary in the first half, it draws its elements together into a sustained finale which leaves the cumulative feeling of significant stature. It also provides a concerto framework of many possibilities for the solo violinist, here the cogent Vadim Repin. On Saturday, it was the

turn of the London Philharmonic Orchestra and its principal-conductor-to-be, Kurt Masur. After years of searching for a conductor, not to mention - a bigger problem - the money to pay

The initial rustle of the strings was urgent rather than restful

for one, the LPO seems to have made a good choice. The autumnal accompaniment to Strauss's Four Last Songs glowed as if conductor and orchestra shared the same yearning for its sunset warmth. Felicity Lott was lucky to sing with this quality of support and phrased the ebb and flow of Strauss's long melodic lines beauti-

fully at Masur's well-judged

speeds. His performance of Bruckner's Fourth Symphony was unusually eventful. The initial rustle of the strings was urgent rather than restful and all four movements came with clearly dramatised scenarios. Some of the exposed orchestral parts sounded tentative, not least the out-of-tune cellos near the end, and it will be Masur's job to sort out problems such as those.

At least for this orchestra the future promises to be better than its immediate

reward repeated listening Richard Fairman

Quartet on a quest to get closer

NEW YORK THEATRE that Patrick Marber almost unbe

Brendan Lemon

Music Box Theatre, Broadway

I know what men want, announces a young woman named Anna in the opening scene of Patrick Marber's 1997 drama, Closer, which originated at London's National Theatre and bas just opened on Broadway.

expressed in blunt, orgasmobsessed language, but it is essentially a condensed version of what Freud - the kind of egg-headed writer Anna loathes - said that every lover wants: a combination of animal passion and civilised tenderness.

Male desire, along with truth, fantasy and the malleability of erotic identity. are among the many issues

addresses in this dark, scale. direct, highly stimulating play, and if there is something profoundly unresolved these matters then that may have less to do with flawed dramaturgy than with the nature of sexual thrill-seekings, which in Marber's world is a pursuit fully satis-

Her pronouncement is nor is it by chance that the story begins in a hospital waiting room: in the sex wars as seen by Marber, we are all casualties.

fied only by death.

Although the production's set, by Vicki Mortimer, tet struggles to be kind and which sits uncomfortably on considerate, or at least honthe Music Box's stage. con-

Over a four-year period in contemporary London, we observe the formation and about his exploration of dissolution of relationships among two men and two women. While there is nothing particularly novel in Marber's erotic set-up - Paul Mazursky used a more communal variation of it in his 1969 movie Bob and Carol It is not accidental that and Ted and Alice, and in the play ends in a cemetery, his two recent films Neil LaBute has created American cousins to Marber's cut throat males - the play's sexual explicitness nonethe

less feels bracingly original. Each member of the quarest, with the others, yet they

traffics in messy biographies; Larry (Ciaran Hinds), a dermatologist, slices open damaged tissue; and Anna (Natasha Richardson), a photographer, "steals souls".

of the characters' chronologies is expert, there is an unnerving variability in the performances. This may have to do with their unequal experience with the play, and also with the way the roles are written. Richardson, for example,

who is new to the proceedings, has the least fleshedout part. Her curvaceous mobile-tethered man, who, form and slightly slutty to prove he is not a complete high-heeled gait are sufficient to attract our atten-

Graves), an obituary writer, means to suggest that men will invariably prefer a woman long on shape but easier to project one's fantasies on to a screen that is blank than one which is While Marber's handling crackling with intelligence. Richardson's vocal style,

unfortunately, fails to heighten Anna's physical allure. Her delivery is so slow that at times you feel part of an old-fashioned transatlantic phone conversation, where every exchange is delayed by a half-

Graves is very good as a cad, can dissolve into sobs to get his way. Friel, on the



ces: Natasha Richardson and Claran Hinds in 'Closer'

here belongs to Hinds. In its amount of intimacy, but, at both craves and causes journey from the tight con-least when Hinds is on stage, fines of the National's Cot-little of its power. humiliation. His jagged yet affecting plight helps make

sists primarily of hulking are all capable of brutal comthrough with images of prithrough with images of primal struggle, the action is Box, Closer has lost a fair multi-faceted individual who

Whether confessing an the play not only a bleak infidelity in his bedroom or exercise in contemporary nal cast, to the vast prosce maltreating a stripper at a sexual politics, but a nium of Broadway's Music nightclub, Hinds creates a humane study in painful romantic contradictions

INTERNATIONAL

Arts

AMSTERDAM

DANCE Tel: 31-20-551 8911 Dutch National Ballet: programme combining the Dutch premiere of Acts of Light by Martha Graham, with the world premiere of Krzysztof Pastor's Bitter Sweet, and Balanchine's Symphony in C; Mar 30, 31; Apr

EXHIBITION Rijksmuseum Tel: 31-20-673 2121 Shakudo: display of Asiatic objects highly popular in Europe and imported in large quantities by the Dutch East India Company. Mainly they were luxury goods such as sword hitts and tobacco boxes; to Apr 5

BARCELONA **EXHIBITION**

Tel: 34-3-319 6310 Picasso - Engravings 1900-1942: temporary exhibition with more than 250 works from the Musée

Picasso in Paris. It presents Picasso's engravings as a diary, a daily examination of his emotions: it follows the different themes and techniques that inform the artist's work; to Apr 4

BERLIN CONCERTS Staatsoper unter den Linden Tel: 49-30-2035 4555 www.steatsoper-berlin.org Chicago Symphony
 Orchestra: conducted by Daniel Barenboim in works by R.

Strauss: Apr 3 Chicago Symphony Orchestra and Chorus: conducted by Daniel Barenboim in Brahms's German Requiem, with soprano Dorothea Roschmann and baritone

Thomas Quasthoff; Mar.31 Chicago Symphony Orchestra and Chorus: concert performance of Moses und Aron, by Schoenberg, conducted by Pierre Boulez, with a cast led by David Pittman-Jennings and

Chris Merritt; Apr 1 Staatskapelle Berlin: conducted by Pierre Boulez in Mahler's Das Lied von der Erde, with tenor Jon Villars and baritone Roman Trekel; Apr 4

DANCE Deutsche Oper Tel: 49-30-34384-01 Cinderella: staging by Roberto de Oliveira. Kevin McCutcheon conducts Prokofiev's score; Mar 81; Apr 3

OPERA Deutsche Oper Tel: 49-30-34384-01 Der Fliegende Holländer: by Wagner. Conducted by Rudolf Piehlmayer in a staging by Götz Friedrich; Apr 1 Matthaus-Passion: Christopher Hogwood conducts

Johann Bach's and Felix Mendelssohn's score: staged by Günther Uecker, Götz Friedrich and Dietlinde Calsow; Apr 2, 4 Staatsoper unter den Linden Tel: 49-30-2035 4555 www.staatsoper-berlin.org Lohengrin: by Wagner. Conducted by Daniel Barenboim in a staging by Harry Kupfer; Mar

30; Apr 4 Tannhäuser: by Wagner. Conducted by Daniel Barenboim in a staging by Harry Kupfen Apr

EXHIBITION Kunst- und Ausstellungshalle der Bundesrepublik Deutschland Tel: 49-228-917-1200 www.kah-bonn.de Museu Nacional de Arte Antiga, Lisbon: this latest in the museum's Great Collections series leads visitors through seven centuries of Portuguese art and history. The 200 works on display include paintings, sculptures and drawings, as well as objects made in Portugal's

HOUSTON EXHIBITION The Museum of Fine Arts Tel: 1-713-639 7540

porcelain factories and gold

workshops; to Jul 11

Art at Work: Forty Years of the. Chase Manhattan Collection. ' Celebrates the 40th anniversary of an art program that has become the model for corporations worldwide collectings art. Is presented jointly with the state

Contemporary Arts Museum. Shows some 77 works. incorporating the major art movements from postwar American and European art starting with Abstract Expressionism; to May 2"

LONDON CONCERT Royal Festival Hali

Tel: 44-171-960 4242 BBC Symphony Orchestre and Chorus: conducted by Applican Davis in the world premiere of Richard Causton's Millermium Scenes, and works by Britten, Birtwistle and Tippett; Mar 31

EXHIBITION Victoria and Albert Museum Tel: 44-171-938 8500 The Arts of the Sikh Kingdoms: first international exhibition of its kind which tells the story of the cultural heritage of the Sighs. Coincides with the 300th anniversary of Guru Gobind Singh's creation of the sacred brotherhood of the Khalsa; to

OPERA English National Opera, 2 London Coliseum Tel: 44-171-632 8300 Melistofele: by Boito.

Melistofele: by Boito.

Conducted by Oliver von Dohnanyi iri a new stiging by lan Judge, Mar 30, Apr 8, Salome: David Atherton conducts Richard Strauss' opera, starring Wyan Tierney as Salome in David, eveaux's production.

Apr 1

LOS ANGELES CONCERT Music Center: Dorothy

Chandler Pavilion Tel: 1-213-365 3500 www.laphil.org Los Angeles Philharmonic: conducted by Antonio Pappano in works by Honegger, Liszt, and Mendelssohn; with Jean-Yves Thibaudet on plano; Apr 1, 2, 3

MUNICH CONCERTS Philharmonie Gasteig Tel: 49-89-5481 8181 Munich Bach Choir and

Orchestra: conducted by Hanns-Martin Schneidt in Bach's St. John Passion; Mar 31 Munich Philharmonic Orchestra: conducted by James Levine in works by Berg and Mahler, with violin soloist Christian Tetzlaff; Mar 30

NEW YORK EXHIBITION Whitney Museum of American

Tel: 1-212-570 3633 Ray Johnson: Correspondences examines various works (1950's to 1990's) from the collagist and

mail artist who has eamed a legendary reputation and for his pop art. Organised by the Wexner Center for the Arts, Ohio State University; to April 14 2000

OPERA Metropolitan Opera, Lincoln

Tel: 1-212-362 6000 www.metopera.org Susannah: by Floyd. James Conion conducts a new staging by Robert Falls, with a cast led by Renée Fleming and Samuel Ramey: Mar 31; Apr 3 New York City Opera, New York State Theater Tel: 1-212-870 5570 www.nycopera.com Don Giovanni: Christopher Larkin debuts as conductor with sets and costumes by Rolf

Langenfass. Victor Benedetti leads the cast in the title role; Mar 30

PARIS OPERA Opéra National de Paris, Opéra

Tel: 33-1-4473 1300 www.opera-de-paris.fr Lucia di Lammermoor: by Donizetti. Conducted by Bruno Campanella in a staging by Andrei Serban and Robert Carsen, with designs by William Dudley; Mar 30; Apr 1

TOKYO CONCERTS Suntory Hall

Japan Philharmonic Symphony Orchestra: conducted by Ken-ichiro Kobayashi in works by Tchaikovsky and Prokoflev, with piano soloist Hiromi Okada; Mar

 New Japan Philharmonic: Hiroshi Wakasugi conducts in works by Alban Berg and Kurt Weill; with Mari Midorikawa and Michio Tatara as soloists; Apr 5

VIENNA OPERA Wiener Staatsoper Tel: 43-1-51444 Macbeth: by Verdi. Conducted by Simone Young in a staging by Peter Wood, with a cast led by Leo Nucci; Mar 30

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calls for help ng viruses

PETER MARTIN

Social dynamics

What's the link between a PC and a Mars bar? The answer tells you much about the real challenges of product innovation

In five years' time, what will be the difference between a television set and a personal computer? Technologically speaking, said Bill Gates last week, they will be identical. But the way in which the two devices are used will remain different, he said, 50 we will continue to call them by different names.

This is a more profound insight than it seems. Social context is an increasingly important element in determining business success. Companies have known for years that products and services must move beyond the satisfaction of utilitarian needs. That is why we have cars - and computers - that are not merely black or beige.

But the focus of product design has tended to be on the individual purchaser or user. Too few companies are aware of the social context in which their products are used: fewer still redesign them to fit better into that environment.

Look at two different examples. They may not seem to have much in common. But in fact both of them tap into deep human feelings about the distinction between the individual and the group. The first is the PC/TV distinction Mr Gates referred to. The other is the success of bite-sized chocolate bars.

On the surface, the difference between a PC and a television is all about sitting positions. You sit up at a computer: you sit back to watch TV. You continuously interact with a computer, but your relationship with a TV set is essentially passive.

Most important, you work on the computer alone, or with, at most, one other person. But the archetypical experience of watching TV is with your family or friends,

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Now is the time for you to make use of the world's greatest

as part of a group. This last distinction underpins all the others. It is hard for more than one person at a time to interact successfully with a TV set just ask anyone who has ever tried to wrest the remote control from a

10-vear-old. You sit up to transact business, and you do it most efficiently alone, or with one other co-purchaser. You sit back to be entertained, and this is most fun in a group. Up to now, product design

in both categories has been dictated by historical coincidence and technological legacies. PCs look the way they do because they derive from typewriters. Televisions are in physical format – a lusion of two 1920s design themes, radio and cinema enhanced by Robert Adler's 1956 addition of a remote control. The two products have only a screen in common, and even that has been based on different echnology.

Now, as Bill Gates points

out, the technology is converging. But the social needs are not. You still need different physical formats to match the different contexts in which the products are used. And - though Mr Gates does not agree - you will probably need different

on screen interfaces, too. Success in each product area will go to manufacturers who best exploit the social dynamics. By offering five different colours of casing, Apple's iMac computer acknowledges that a PC is a personal tool, a reflection of an individual's taste.

Other much smaller personal computing products are also being developed; the more they act as an extension of an individual's personality, as in 3Com's Palm range, the more successful they are.

So far, nobody has successfully come up with a format for an intelligent television that builds on the group experience. But they will. After all, confectioners



quintessentially personal experience - eating a chocolate bar - and convert it into a group one by inventing large bags of bite-sized miniatures.

Notice, by the way, that each of the bite-size pieces is wrapped in the same way as the full-size bar. Sharing a handful of tiny Mars Bars with your friends is more rewarding than simply handing out unwrapped sweets from a bag; it collectivises the individual experience of unwrapping and eating a chocolate bar. There is a similar

opportunity for collectivising the interactive PC experience, if only hardware and software manufacturers are able to grasp it. But the issue ranges more broadly than just sweets,

TVs and PCs. In the early years of a product's life-cycle, the task of getting the technology to market, in a format and at a price that consumers want, is heroic enough: it enforces a one-size-fits-all approach.

The second step is to think of ways of varying the product to meet the individual tastes of the purchase decision-makers. Most products reach this stage early in their lives.

The third task - in many ways the most demanding is to explore how the product is used in its social context and to tailor it accordingly. Many companies fail to do this. The fourth step is to find

subtly different social contexts in which the product could be used, if only it were modified slightly. This is the leap that confectioners have made. but makers of intelligent TVs have not. It is the step that shopping mall owners take when they create "male creches" to amuse their female customers' partners, and stop them bringing lucrative shopping expeditions to a premature

Modern life has many aspects that are solitary and isolating. But human nature has a strong social and collective streak. The most successful companies will recognise that innate yearning – and create products and services that

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LETTERS TO THE EDITOR

Meeting Africa's agricultural needs

From Mr Philip S. Angell. Sir, Dr Hans Herren, direc-

tor general of the International Center of Insect Physi-Nairobi, states that "too nar- grated, managed and row an approach to food security is dangerous" about using genetically modified foods in African agriculture ("Genetic engineering will not feed hungry, say Africans", March 16). At Monanto, we completely agree. No life sciences company claims genetic engineering is the solution to the developmental challenges facing African agriculture. Rather, we have only ever claimed that biotechnology is one tool in a comprehensive, integrated and culturally sensitive solution to African

More research must be done on food and cash crops grown commonly in the developing world - and we are doing that. In Kenya, for instance, we have developed sweet potato strains resistant to diseases now destroying up to 50 per cent of the

From Mr Michael Bartrom.

Martin Wolf for his excellent

column ("Carmaker's auc-

tion". March 22) on the pros-

pects of support from the

government for BMW's ail-

Setting aside why Rover is

in trouble (the fact that no

one wants to buy its cars

could be key to this) Mr Wolf

asks the pivotal question of whether the government should be considering any

form of assistance. At its

simplest, this is a question of

whether taxpayers' money

should be used to support

private industry. Public

assistance for private enter-

prise leads to inefficiencies

in the allocation of capital.

One-off injections of state-

ing Rover subsidiary.

Let market judge where

capital is best employed

agricultural challenges.

crop. We are also working on other related health probimproving yields, pest and lems from a vitamin A defidisease resistance for Africiency. Using this technolcan crops such as rice, casology and Ecology in sava and maize. When inte- they have always grown implemented in ways sensitive to African circumstances, these crops may help meet African food, environmental and economic be sustainably farmed withdevelopment needs.

One example demonstrates how biotechnology can help meet critical world health needs. Monsanto has developed a method for enhancing beta carotene, a precursor of Vitamin A, in a variety of oil seed crops. A teaspoon of oil from these plants will provide the daily adult requirement of Vitamin A. We recently donated this technology to a partnership comprised of the US Agency for International Development and other non-governmental agencies for use in the devel

oping world. This is important because tens of thousands of children in the developing world today go blind and suffer

funded capital do nothing to

more marketable (or that

company more profitable).

Far better to leave the mar-

ket to be the judge of where

their activities to ensuring

endowing some industries

with rescue packages. The

this instance will indeed be a

guide to whether New

Labour is prepared to "walk

the talk" in the area of busi-

Lower Farm, Northmoor,

Michael Bartrom.

Oxon OX8 1AU, UK

Politicians should restrict

capital is best employed.

ogy, farmers can grow crops using traditional methods for foods that contain sufficient vitamin A to dramatically improve the lives of millions. Also, these seeds can out new and costly healthcare, transportation and pro-

cessing infrastructures. Finally, no farmer any where is forced to buy genetically modified seeds. Unless they deliver benefits - yield. cost, environmental and so on - beyond current agricultural practices, why would a farmer buy them? In the end it is a matter of choice and who makes choices about quality, yield and potential profitability. We think farmers are most qualified to make this choice.

Philip S. Angell. director, corporate Washington DC, US

Simple truth about manners

From Mrs Julia Peachey. Sir, I enjoyed Lucy Kellaway's column "Manners. Sir. My congratulations to make a company's products mime and management" (March 22) on how highflying executives are forgetting the most basic common courtesy of acknowledging the receptionist. One of course must always apprecithe overall environment is ate that manners and cournot hostile to business, but tesy cost nothing. Only those whose self-importance exceeds this simple truth this does not extend to will in the end fail them-UK government's actions in selves, even if it is but for the simple fact of not receiving life's own very important message. Take heed: it is always manners, not money. that maketh the man.

> Julia Peachey, 11 Ascot Close Bishops Stortford, Herts, UK

| Clean sheet as Jexim merges

From Ikuko Matsumoto.

Sir, Your article "Export credit agencies attacked over environment" (March 26) presents the troubling problem of public money funding environmental destruction through secretive financial institutions. The Export-Import Bank of

Japan (Jexim) regularly funds projects that displace indigenous peoples from their homelands in the Philippines, degrade tropical forests in Brazil, and alter the Earth's climate through coal-fired power plants in China. Today Jexim has no credible environmental assessment standards. While US export credit and investment insurance agencies such as the Overseas Private Investment Corporation and US Ex-im have adopted standards, other countries are quick to approve bottom-ofthe barrel projects that do not meet basic international guidelines. However, a new day may

be emerging in Japan. Jexim and the Overseas Economic Co-operation Fund are merging this year and will become the Japan Bank for International Co-operation, which will rival the World Bank in size. The ministry of finance and economic planning agencies recently pledged to adopt to common standards in conjunction with this merger. If our goverument follows through on this pledge. Japan and the US can jointly set an example of environmental and social leadership for the rest of the world's ECAs to follow as we start the new century. The G8 should call for transparent, common internationally recognised standards for all OECD nations' export credit and investment insurance agencies to be adopted within the next year.

Ikuko Matsumoto, Friends of the Earth Japan, 3-17-24-2F, Mejiro, Toshima-ku, Tokyo, Japan

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers worktwose. Letters may be faxed to +44 171-673 5935 (set to itne) ie mail: are editorationan Published letters are also available on the FT lived site. This I www.FT.com Transleton may be available for letters written in the main international languages. For CCT1 FT3 5336, Letters should be typed and not hand written.

Ditching le fairplay

France is allowing the biggest ever takeover bid in the banking sector to proceed despite deep reservations, say George Graham and Samer Iskandar

Claude Trichet ran the French treasury in the 1980s, he used to serve very un-Parisian pots of yoghurt for his business breakfasts. French financial institutions lagged behind their Anglo-Saxon counterparts, he explained, partly because of their lower consumption of dairy products.

Today, it would appear that French bankers have been eating rather too much yoghurt for Mr Trichet's liking. Now governor of the Bank of France, he has spent the last week trying to broker a deal that would end the unprecedented in-fighting between three of the country's largest financial institutions.

Yesterday, Mr Trichet gave his formal consent to the unsolicited launched earlier this month by Banque Nationale de Paris for Société Générale and Paribas, which were themselves planning to

But in an accompanying statement, Mr Trichet said he "hoped the establishments concerned would reflect and engage in a dialogue among themselves with a view to reaching a solution which would fully respect each house's moral and financial interests and preserve the best interests of the banking community."

The statement betrays the depth of unease triggered by the BNP bids in the heart of the French establishment.

Michel Pébereau, BNP's unwritten rules of the they threaten to open the en ville. door to a foreign white knight; and he moved with minister.

did not consult the governor which grooms future highof the Bank of France in ranking civil servants. Mr by the familiar tu form, in advance, as the fact that the Pébereau attended both. oids are hostile," one senior

not be unheard of in other



heard about Royal Bank of unusual to spend the first Canada's plans to merge with Bank of Montreal while half hour going over who had better grades at Ena, to shaving. He was so annoyed determine who is to speak that he blocked the deal. first during the meeting," But even in the US, home says a US investment banker

of the free market liberalism based in Paris. France is now embracing. The protagonists in the Sandy Weill and John Reed BNP-SG-Paribas drama are took great care to brief the closer because they have Treasury and the Federal Reserve about their plans to discussing every possible merge Travelers Group and permutation of mergers Citibank. between their banks. The breach of protocol is Even their advisers are

all the more shocking in France, where the world of high finance is very small indeed. The top bankers and bureaucrats went to the Dautresme is a former chief chairman, has broken the same schools, worked together in the same minis-French way of doing busi- terial cabinets, gossiped ness: his bids are bostile; together in the same diners

A recent report from Korn/ Ferry, the executive search has brought in Rothschild, only the most perfunctory of consultants, pointed out that where Marc-Olivier Laurent advance warnings to Mr two-thirds of the chairmen Trichet and to Dominique in the 40 largest listed com-Strauss-Kahn, the finance panies are graduates of the same two schools: Polytech-"What the establishment nique, the engineering instireproaches is as much the tute, and Ecole Nationale fact that Michel Pébereau d'Administration, or Ena.

> The same graduates also comprise almost half of all company directors.

"When executives of

elled widely. The next generation down has gone a step further and lived abroad. The politicians, on the other hand, have stayed at home. The gulf between them and the business elite is growing wider all the time," a senior French banker says. The result is not just a less

much more international

businesses and have trav-

deferential attitude to government authority, but something of the convert's zeal in espousing the free market in its ruthlessness.

"This will be decided by the market, not by couseries de salon [drawing room chitchat]," says Baudouin Prot, BNP's chief operating officer. "In France, there has always been a conflict between the party of order and the party of movement. Well, this is very much

Yet the takeover battle itself is being fought out on familiar French terrain, where it is as important to win over the government and the trade unions as the shareholders.

Despite the clearly hostile reaction of Daniel Bouton and André Lévy-Lang, chairmen of SG and Paribas, Mr Pébereau continues to insist that his bids, though unsolispent the last three years cited, are triendly. His arguments for a three-way merger are peppered with promises not to cut jobs or close branches, Indeed, BNP has had to devote considerable effort to convincing investment analysts that its merger plans will not generate nearly such large cost savings as they think.

Will French takeover battles be fought this way in years to come? Some Paris financiers believe Mr Pébereau may have opened the door to an upheaval in France's economic structure.

"It has profound implicaand acquisitions at Credit tions for French industry. Why not Elf/Total, or Renault/Peugeot?" asked one French investment banker,

Even after yesterday's forpolytechniciens may still mal permission to proceed from the Bank of France, the battle is far from over. Its other respects the force influence on French business mores will depend enormously on the result.

As one senior banker "The chief executives of 50 warned: "If Michel Pébereau

closely intertwined. The

investment banks advising

BNP, for example, are Laz-

ard - where partner David

executive of Crédit du Nord,

now an SG subsidiary - and

Goldman Sachs - where Jac-

ques Mayoux is a former

used to be head of mergers

Commercial de France.

where he worked for Mr

But though énarques and

have the right to call each

exerted by the old school

ties is weakening - as Mr

Trichet has found out.

On the other side, Paribas

chairman of SG.

Pébereau.

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The line has the if the 40 and main took took delate to be used for this owner.

French financier says. Lack of consultation may For information on advertising in FT Automotive World contact Mark Cunnington Tel: +44 (0)171 896 2355.

countries. Paul Martin, French companies meet to plus, unlike their predeces. Succeeds, it could change the Canada's finance minister, discuss a deal, it is not sors, are all now running rules of the game for ever."

COMMENT & ANALYSIS FINANCIAL TIMES

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Tuesday March 30 1999

Getting interest rates right

zone rates must go down. When the the US Federal Reserve meets today, its decision is whether to move now or later. The European Central Bank at its meeting next week should not delay.

SALANDA SALANDA

EDITOR

Alexander Pa

- (**)

needs Clean sheet &

The Federal Reserve cut interest rates three times, by three quarters of a percentage point. last autumn in response to the threat to US growth from chill winds sweeping through world financial markets following ussia's collapsi

However, the US economy has weathered the international storm in remarkable fashion, growing in the last three months of 1998 at an annual rate above 6 per cent. The Dow Jones Industrial Average has bobbed above 10,000. Growth this year is likely to exceed the Fed's forecast of 2.5

Inflation remains subdued. Even so, with the labour market so tight, consumer spending growing at a record pace, and the current account deficit rising inexorably, it is clear that overheating is now a substantial

The Fed will have to take up the slack, and return interest rates nearer to last summer's level, before it adopted its emergency footing. The Fed's prompt action then was well judged. But its expansionary stance now is

The situation is very different in Europe. Despite clear signs of

started to wrestle with a question

which confronts all industrial

countries: how to tax energy

In his Budget earlier this

announced that, as a step towards meeting the carbon

emission targets agreed in Kyoto

in 1997, industry would pay an

extra £1.75bn of energy taxes

from 2001-02 onwards. The chan-

high energy users. However.

present ideas for achieving this

pose dangers to the integrity of

At their first meeting yesterday

with industrial representatives

since the Budget, ministers

One energy-intensive sector esti-

mated that the expected tax

increase would be the equivalent

of 40 per cent of present capital

expenditure; another that it

would cut pre-tax profits by half.

that it will return the proceeds of

the carbon tax to industry by cut-

ting payroll taxes. But energy

intensive industries say that this

rebate would amount to between

3 and 10 per cent of what they

would pay in extra energy taxes.

seeking ways to give tax rebates

The government has indicated

to be economically efficient.

Gordon Brown

without harming big exporters.

A taxing task

The British government has But this violates the fundamental

ways to mitigate the impact on brought about throughout the

the tax system and are not likely construction companies will try

blearned the scale of the problem. as widely as possible. Consumers

The next move in US interest a spluttering economy, the European Central Bank has refused to

converge at the present level of 3 per cent before the euro's launch. But the outlook has deteriorated measurably since then. Euro-zone growth will struggle to reach 2 per cent in 1999. Germany, the dominant euro-zone economy, is stagnating. The gloomy outlook is reflected in the euro's slide against the dollar. This has provided some relief to European industry. But not enough.

Europe's economic ills derive in part from supply side problems which governments must address. But the euro-zone is also afflicted by inadequate demand. There is certainly no sign of inflation. The euro-zone's rising current account surplus is undestrable at a time when emerging markets need to increase exports.

The biggest obstacle to lower interest rates in the euro-zone has been politics rather than economics. The ECB has been determined to prove its independence in the face of calls for lower rates from politicians. With the departure of Oskar Lafontaine, the former German finance minister, this must not continue.

The International Monetary Fund last week became the latest international institution to call for lower euro-zone rates. The ECB has proved its independence from politicians. It must not now demonstrate an indifference to

principle of a liberal tax regime -

that taxes should be non-discrim-

inatory and transparent. If minis-

ters could set different tax rates

for different industries, the

potential for corruption in government and backsliding by

A further objection to such

rebates is that they would protect

the consumer from higher energy

met, big changes must be

western economies. That means,

for example, that if high energy

costs put up the price of cement,

To mitigate such effects, gov-

ernments must spread the impact

must be given incentives to econ-

omise on heating bills as well as

cost of domestic fuel would be

politically difficult, particularly

in the UK. But it could be done if

the proceeds of the tax were

returned in a different form. Pen-

sioners, for example, could be

given extra money. Similarly, big

industries might be helped by

other tax changes, in addition to the promised payroll tax cuts.

would be like carrying water

But the energy taxes should

will not get built.

industry would be huge.

cut interest rates. European central banks did

ers with Amoco of the US. The question is whether the

Mr Browne would no doubt bri-

That the deal is relatively modest is perhaps just as well. Mr Browne is sensitive to criticism that BP Amoco's rapid expansion could undermine the high standing that the company in general -and he in particular - are held by competitors and investors. Being big can make you look cold, bureaucratic, bungling and

In recent public speeches Mr taxes. If the Kyoto target is to be ronment and global warming. London last month be

> choice." Analysts say the planned acquisition of Arco deal would be finely balanced to minimise such concerns, especially in the US where the Exxon Mobil link-up has awakened memories of the old Standard Oil monopoly put together at the beginning of the

> US regulatory authorities are especially concerned about potentially uncompetitive concentrations in downstream refining and marketing and chemicals.

Unlike Exxon Mobil, there is no overlap in those areas: Arco's two refineries and 1,700 service stations are on the west coast, while BP Amoco's refining and retail presence is east of the Rocky Mountains.

Oil: big, bigger, biggest up the world oil market at the same time

Robert Corzine looks at how BP is making its aggressive acquisitions policy work, while shaking

BP/Amoco/Atlantic

ere crices relative to the World Integrated Oil index

🖣 or Sir John Browne, BP Amoco's restless chief executive, successful deal-making has always matter of "time versus timing".
The fine judgment needed is

vividly illustrated by the decision of the former British Petroleum to take over Los Angeles-based Atlantic Richfield - also known as Arco - in a \$25bn all-stock deal. For the company, the timing looks ambitious: only 60 working days after concluding one of the world's biggest industrial merg-

time is right (ie. whether the external circumstances warrant the deal). For if agreed later this week, the takeover would raise more than a few questions about the nature of the present wave of "Big Oil" mergers. Is BP Amoco in danger of falling into the "sizefor-size-sake" trap? Can it really manage the integration of two big companies at the same time? And will the deal produce of a new round of consolidation in the western world's oil industry, which over the past four months has seen the planned takeovers of Mobil by Exxon in the US and the acquisition of PetroFina of Belgium by Total of France?

dle at suggestions that his main motivation is to make BP Amoco even bigger in the hope of eclipsing the other two members of big oil's "super league", Exxon Mobil and Royal Dutch/Shell. Although entry to the super league was one of the main factors behind last year's merger with Amoco, the proposed Arco acquisition looks different. Analysts say that it seems to be about filling in gaps in BP Amoco's existing operation, rather than about taking the operation into a new league of gigantism. Arco gives BP access to parts of the US market it is not now in. But it does not - as Amoco did transform BP into a US oil major.

less human," he admits.

Browne has emerged as the leading "progressive" among oil company chief executives for his stance on issues such as the enviacknowledged that there is a "widespread perception" that big Prudhoe Bay. These are estioil mergers are "about the accumulation of power and the elimination of competition and

to use less of it and some projects on cement and steel. Raising the century by John D Rockefeller.

pany is expected to "ring fence" Arco this year, with a small team of senior BP Amoco executives working with their counterparts in Los Angeles to plan the transition, which would formally take place after the deal clears all its regulatory hurdles and due diligence phases, probably by the end of the year.

What happens after that? In the case of Amoco, Mr Browne made it clear that there was no question of trying to merge two distinct business cultures to produce a new hybrid. It is BP management systems and culture that rule the combined group. Even though more American accents can be heard at the group's graceful Edwardian headquarters in the City of London, there is no question about who is

Sheer size may not be Browne's main quest. His goal is to build an asset base to rival that of Shell

in charge. The highly publicised departure earlier this year of several high ranking former Amoco executives who failed to survive the transition highlighted just how dominant the former BP culture

Now, he says. Mr Browne may is at the ton of the combined

OBSERVER

transition the attitude of some whether Mr Browne, in going for BP managers bordered on the Arco, is trying to bite off more arrogant. But their senior Amoco colleagues had little scope to argue their cause. In its final years Amoco had clearly lost its way, and had become so top

cesses rather than business prior-

Amoco was able to avoid the trench warfare between rival business cultures that has bedevilled so many other merged groups. No doubt Mr Browne plans to

tives. For all these reasons, BP

deal with potential conflicts with Arco by imposing the same system he employed at Amoco although senior Arco executives, having seen how quickly many of their Amoco counterparts were tion - evinced by BP Amoco's dispatched in the process, may high share price - to transform not be as accommodating in the the fortunes of the group. His transition.

is much smaller than Amoco, it mance and structural problems, too has struggled in recent years, still has the most impressive international exploration and production business

Senior BP Amoco executives in Asia may be the next move for also reckon that the problem of BP Amoco. managing the overall integration should be reduced by the way in will continue may prompt other which the new company is being oil companies to act quickly, if organised. Although the formal for no other reasons than the merger with Amoco is only three range of possible merger combimonths old, most employees will nations is declining sharply. be organised into new business units by the end of this month. That means the top tier of execu- There are also question marks tives should have more time to over Conoco's future as an indeoversee the Arco transition, pendent company once its links which in turn should be be simplified by the lack of overlap finally severed. Aside from Total between the two groups.

Only six out of BP Amoco's 123 be affected, with what overlap there is confined to specific areas. An added benefit is that nations problematic. most of Arco's assets are in geowhich BP Amoco is familiar.

And as if all that were not enough, BP has a track record in doing big. back-to-back acquisilowed Sohio of the US and Britoil in the UK in quick succession heavy that management pro- Admittedly, that was not the best period of BP's corporate history. If the deal goes ahead, the com- itles came to dominate execu- But for now, at any rate, there

are powerful reasons for thinking that BP's acquisitions are going better than some of the other mega-mergers of recent years.

Has BP Amoco's appetite for acquisitions been sated by the latest move? In the short term. perhaps, say analysts, but probably not in the longer term. Sheer size may not be Mr Browne's main quest, but he appears determined to use his growing reputagoal is to build an asset base to However, BP seems to hold rival that of Shell, which in spite most of the cards. Although Arco of its recent poor financial perforespecially in the expansion of its array of international assets in the industry. Mr MacLeod at BT Alex Brown thinks an acquisition

The prospect that consolidation

In the US the focus of attention will shift to Chevron and Texaco. with former parent Dupont are and PetroFina the continental European industry has been slow business units are understood to in reacting to consolidation, with nationalistic and cultural concerns making cross-border combi-

But as companies such as BP Indeed, at times during the graphic or product areas in Amoco Arco continue to challenge the conventional structure and thinking of the industry, the pressure to act may become overwhelming - even if the industrial tions. During the 1980s it swal- and commercial logic of future deals proves to be less compelling than in those already done. At that point, as Mr Browne would say it then becomes a simply a

After Cubas

promises to economise on energy. reduce the burden.

In response, the government is not be cut selectively. That

to such sectors in exchange for uphill in pails made leaky to

America's most isolated and coup d'état. backward countries, but the way tional crisis has ended offers hopes for the future of democracy international influence in the elsewhere in the continent.

The resignation of Raul Cubas. the president, on Sunday and the arrest yesterday in Argentina of Lino Oviedo, the former general and would-be coup leader, have enhanced the credibility of Paraguay's fragile institutions.

Mr Cubas' championing of the cause of Mr Oviedo, sentenced to prison following his unsuccessful coup attempt in 1996, had brought him into conflict with the country's congress and judiciary and threatened to make the

country ungovernable. The assassination last week of vice-president Luis Argaña, an opponent of Mr Cubas and Mr Oviedo, led to street protests, rioting and the deaths of six

more people. Paraguay's political difficulties are far from over. Luis González, the former senate president and the new head of state, has controversially said he will serve out the remaining four years of Mr Cubas' term rather than call new elections - and the country is traumatised by the violence of

last week. Even so, the avoidance of military intervention is to be celebrated in the not so recent past events of this kind in Latin able to voters.

Paraguay may be one of Latin America would have triggered a

The fact that the armed forces the country's recent constitu- are opting to stay on the sidelines owes much to growing

Paraguay came under heavy pressure from its neighbours and fellow members of the South American common market, Mercosur - Brazil, Argentina and Uruguay - to adhere to constitutional government. It faced suspension from Mercosur if it had

reverted to military rule.

The international community now needs to build on this success. Elsewhere in Latin America, the democratic structures painstakingly built up over the last 15 years are coming under strain and in some countries the military's influence in politics is

slowly growing.
In Venezuela, for example, President Hugo Chavez has named military officers to run key government ministries. Elsewhere too, support for the simplistic populism and authoritarianism of the kind advocated by Mr Oviedo is growing.

These calls must be resisted. Fully functioning democracies including judicial systems that work - are essential if Latin America is to tackle its social and economic challenges. Latin American political leaders need to be more - not less - account-

Ebner sends them scurrying

The rise of Martin Ebner, Switzerland's renowned shareholder activist, was always bound to set a few corporate

hearts fluttering.

But the speed with which he appears to have disrupted big merger plans has caught many

by surprise. In the past few days the bow-tied 54-year-old has climbed to the chairmanship of Alusuisse, the big Swiss akuminium and chemicals aroup. And he'd have headed a much larger group if Alusuisse had consummated its planned merge with Vlag, the German conglomerate.

That's a prospect that seems to have turned Viag's feet to ice. While Theodor Tschopp, Ebner's predecessor as Alusuiss chief, whom Viag had given the green light to head the merged group, was an engineer who'd spent most of his life making wheeler-dealer. He's made his fortune shaking up poorly performing Swiss blue chips and has the scalps of top brass at Winterthur Insurance and UBS

to prove IL It's pretty unlikely he'd have been happy heading a partly state-owned conglomerate whose pursuits range from nuclear power to chemicals. If his past record is anything to go by. take a chance and travel to

المراجع والمتعارض والمتعار

he'd have wanted to break the business up - and that wouldn't have gone down too well at Viag's Munich headquarters.

There is one area, though,

where there might be a problem:

Alaska. The enlarged group will

have full operational control of

the giant Prudhoe Bay oil and

gas field. This is the biggest in

the US and a main source of state

revenues and jobs in Alaska.

Hence, the size of the combined

group could be a concern to the

Mr Browne's sense of timing

may help him in dealing with the

Alaskan government. The col-

lapse in crude oil prices over the

past year has threatened thou-

sands of Alaskan jobs, as well as made the future development of

the state's relatively high cost oil

Mr Browne is expected to argue

that the cost savings and opera-

tional efficiencies to be gained

through a unified operatorship of

Prudhoe Bay will make the Alas-

kan oil industry more competi-

tive overall. He is also expected

to promise new investment to

turn into synthetic fuel Arco's

vast reserves of natural gas at

mated at 25tr cubic feet, almost

as much as the UK's proven total

prices may cause the Alaskan

government to have second

thoughts. "One month ago

Alaska would have embraced BP

Amoco and kissed them on both

cheeks," according to Fergus

MacLeod, oil analyst at brokers BT Alex Brown in Edinburgh.

have slightly misjudged his tim-

than he can chew - especially

considering that he has not vet

digested his last feast. After all,

the benefits of many mergers

have been lost during the inte-

gration phase.

The bigger worry, though, is

But the recent rise in world oil

reserves.

industry more problematic.

Alaskan state government.

Still, now that it looks like Viag's shuffled off, Ebner's unlikely to be very upset. He's got what he wants - control of one of Switzerland's best-known corporate names - and there are plenty of other deals he can do.

Hard sell Chalk it up to the charm offensive. Russia and the

International Monetary Fund may be singing in sweet harmony now they've agreed the beginnings of an economic plan, but Moscow didn't leave anything to chance. IMF boss Michel Camdessus barely had time to touch down before the politicos were

Assorted cabinet ministers. leaders of the Communist party, Yevgeny Primakov, the prime minister, and even a phone call from alling president Borls Yettsin were all lined up. it even seemed Russia decided

that divine intervention was also necessary. How else to explain the meeting arranged with Alexii II, head of the Orthodox church? Observer's just glad that God and mammon got on.

Bad precedent

If you think Burmese democracy leader Aung San Suru Kyi should England for her husband's funeral later this week, perhaps you should be aware of a

cautionary tale. The opposition leader's husband Michael Aris died last week and Burma's military junta has promised that, if she went. she'd be allowed to return to the country she hasn't left in 11

But Suu Kyl may remember that two years ago, in one of their periodic crackdowns on her National League for Democracy, Burmese authorities told an elderly gentleman in the party's leadership that if he did not resign from the party, his grandson would be expelled from the prestigious officer's training school at the Defence Services

Academy. The man duty resigned from the party. Two days after his resignation, his grandson was expelled from the academy

Home run

Cuban politburo member Ricardo Alarcón couldn't have been more positive about his home team's 3-2 defeat by the Baltimore Orioles in a ground-breaking

baseball game this weekend, "In reality, both sides won," he trumpeted, celebrating the mere meeting of the teams on the

But though Alarcon was proud as punch that a major league team had come to the island for

the first time in four decades, he wasn't exactly forthcoming about letting Cubans loose to play in American squads.

While Havana has no problem letting its sluggers hit home runs in the Japanese league, Washington's "hostility" - and the temptation to defect - makes the US off base.

So, although a rematch is scheduled in Baltimore for May that could be the last you'll see stateside of Cuba's current big

Classy.com

Amazon.com's plan to branch out from the humdrum world of books and music and launch an online auction service may mean tough competition for eBay, the internet auctioneer that's made a name for itself.

But it might be welcome news for web shoppers eager for more quality goods to buy. eBay's current offerings look

likely to fill almost any craving. however obscure it might be. There's a 1964 Barbie wedding gift set (four dolls in their original box, minimum bid \$2,051), pens that look like syringes (starting price \$1.50 each) and a "very rare and certified" Pink Floyd silver-coated laser disc (from

With Amazon on the scene, keyboard shoppers are sure to have even more choices, What next? A gold-plated edition of Monica's Story?

matter of "time versus timing." Financial Times

100 years ago American Finances

With the close of the fiscal year 1898/1899 well in sight, our American friends are beginning to figure up the financial position, and they are no cause for congratulation. One thing is certain: there will be a deficit, and the rival parties have already commenced the now annual task of abusing one another as the cause. We on this side of the Atlantic Ocean have nothing more than a sentimental interest in these mutual bickerings. To us it matters little whether the fault rests with the "party of liberal

50 years ago

liberal appropriations."

ideas" or with the "party of

Wali St. Margins Cut Washington, March 29. Effective to-morrow, the Federal Reserve Board is reducing the margins for stock purchases to 50 per cent of the price of the securities. Previously, margin requirements were 75 per cent. Wall Street is pleased with the reduction. Mr. Emil Schram, the President of the New York Stock Exchange, called it *a most constructive step," and others called it highly desirable.



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THE LEX COLUMN

BP's rich pickings

It is easy to see why BP Amoco is keen to Olivetti/Telecom Italia take over Atlantic Richfield, given how neatly the two fit together. Their dominance of Alaskan oil production would be such that it is bound to raise anti-trust concerns, though regulators have so far been relaxed about upstream concentration. Arco also has desirable reserves in the Gulf of Mexico. Downstream, meanwhile, where regulators do pay attention, there is little overlap. Arco's refining and marketing operation on the US West Coast is one of the most profitable in the business. This is a lucrative market BP

has long wanted to break into. Outside the US, by contrast, Arco's record is poor. Much of its US cashflow has been frittered away digging dry wells. Last year it wrote off \$629m in exploration expenses - more than the \$500m analysts project for BP Amoco this year, a company three times bigger. Simply redirecting Arco's resources to better projects should create value. And Arco's one stroke of recent luck, a huge gas find in Indonesia, would usefully increase BP Amoco's exposure to Asia.

There are legitimate worries that BP Amoco's management may be moving too fast. But investors might draw comfort from history. In the late 1980s, BP purchased the rest of its US operation, Standard Oil of Ohio, in a deal masterminded by John Browne, now chief executive. Barely 18 months later it bought Britoil. Both acquisitions were a success.

Brazil

News

The return of confidence in Brazil this month has been almost as rapid as its loss in January. Barely three weeks after being forced to raise its interest rates to 45 per cent, unexpectedly benign inflation numbers have allowed the central bank to cut them to 42 per cent. The government is notching up big primary budget surpluses (excluding interest costs), unemployment is nudging down and the Real has strengthened to \$1.78 from its postdevaluation low of \$2.22.

A virtuous circle could now develop. The government and the International Monetary Fund calculate that at a real interest rate of around 10 per cent, Brazil's R\$300bn debt pile would stabilise at a bearable 45 per cent of gross domestic

per cent this year, nominal rates have to fall another 12-17 points to get there tough, but not impossible. Even progres towards that goal would ease the task of rolling over the country's overwhelmingly short term debt. Already spreads of Brazilian C-bonds over US Treasuries have narrowed from 15 per cent to 10 per cent since January and there is talk of a sover-

eign eurobond issue next month. The risk is that the full impact of the Real's devaluation has yet to show up in consumer prices. If these surge in the spring, it will raise calls for wage and price indexation, which could yet plunge the country into an inflationary spiral. Brazil is on the right track, but it is too early to declare it safe.

Olivetti/Telecom Italia

Telecom Italia is not off the hook yet. Franco Bernabe, Telecom's chief executive, must have hoped he had shaken off Olivetti's long-running hostile bid by proposing to spend €23bn on buying in the minorities in Telecom Italia Mobile, Telecom's cellular subsidiary. But Olivetti is proving a tenacious opponent. Its carefully crafted bid, at €11.50 a share, offers just enough to keep it on the battlefield. And by threatening to reduce the price if shareholders approve Telecom's defence measures - including the TIM bid - it has

turned the guns back on its opponent. The worry for Telecom is that shareholders seem indifferent to its defence strategy. Prior to Olivetti's bid yesterday, the shares actually fell, suggesting con-

cern about what would happen if Olivetti folded its tents. Part of the problem is the complexity of the defence. There is also a question of credibility for Mr Bernabe. Having rubbished Olivetti's proposal to leverage up Telecom, he now finds himself advocating that the company assumes

a similar level of borrowings.

However, Olivetti's bld does not look like a knockout blow. On a sum of the parts valuation, Telecom could be worth up to €17 a share. Then again, if Mr Bernabe wants to hold on to his company, he must do a better job at explaining the various elements of his defence. More financial engineering is unlikely to win

Gladstone would have been envious. Index-linked gilts now offer a real yield of 1% per cent. According to Lombard Street Research, that is a lower yield than Consols ever achieved during 1756-1914, when prices may have fluctuated from year to year but barely rose over the longer term. In short, even the sound Budgets and stable currency of the Victorians did not allow them to borrow money as cheaply as Gordon Brown, UK finance minister?

Such low yields owe something to Mr Brown's Gladstonian prudence but more to the structure of the pension industry where a combination of maturing funds and the strictures of the Minimum Funding Requirement are making managers desperate buyers of gilts. The same distortion can be seen at the long end of the yield curve where the UK can borrow money 50 basis points more cheaply than

Germany. It would seem sensible, therefore, for the UK government to issue lots of indexlinked and 30-year bonds. Sadly life is not that easy. Earlier moves towards transparency mean that the Debt Management Office indicates both the annual schedule of index-linked issues and the quarterly auction programme in advance. In any case, the need to maintain an orderly and liquid market prohibits excessive issuance in any one sector.

Two consequences follow: index-linked and long-dated yields will probably stay low for a while and relative valuation measures based on those yields will give

Insurers and brokers to set up e-commerce network

Risk-trading electronic link aims to counter squeeze on margins

By Andrew Bolger, Insurance Correspondent

Many of the the world's biggest insurance companies and brokers are to create a global e-commerce network for trading risks among themselves in an effort to counter a vicious soueeze on margins.

A co-operative based in Brussels. London and New York will combine the activities of three leading industry networks - Rinet, the Brusselsbased organisation that links continental European reinsurers; Win. the global organisation owned by the world's four largest insurance brokers; and Limnet, which links up the London insurance market.

Premiums charged by insurers and reinsurers have been under pressure in recent years as an increasing number of corporate customers have decided that frequently occurring and relatively predictable risks can be more cheaply retained in-house. Industry analysts also believe that up to 50 per cent of premium payents can be consumed by so-called "frictional costs" - commission and administration charges.

electronically - including Rinet, Win and Limnet - have suffered from the industry's fragmentation. A negligible proportion of the industry's currently placed electronically.

However, industry leaders believe that the recent trend towards the consolidation and globalisation of insurance has given them an opportunity to strip away barriers to the widespread use of e-commerce.

It is difficult to quantify the possible savings that could be achieved by using e-commerce, but a report by the management consultants Coopers & Lybrand, now part of PwC, estimated the London insurance market's annual administration costs of £1bn could be cut by about a third.

The new organisation is the result of work carried out by a convergence steering committee set up last year, plus discussions with more than 70 broking and underwriting firms throughout Europe and the US. Organisations represented on the steering committee included Marsh & McLennan and its biggest rival, Aon: Lloyd's of London; Previous attempts to link insurers Allianz, the German-based insurer, many it is long overdue."

Generali of Italy; Swiss Re and Munich Re.

The new organisation, yet to be named, will begin operating on June multi billion-dollar business is 1. Its chief executive designate is Kevin Ashby, current chief executive of Limnet. There will be a broad-based advisory board and a separate executive board which will initially have equal representation from brokers and underwriters. For its first year, the organisation will be chaired by Rob White-Cooper, a

> ance broker.
> It will promote the development of common technical standards and accredit third-party suppliers, rather than invest directly in the development of its own products. It hopes to develop revenue-generating activities, such as endorsement and accreditation, that will eventually

senior executive with Marsh &

McLennan, the world's largest insur-

reduce its dependence on member-Dieter Losse, chairman of Limnent, said: "This is a very important step forward and will provide an important focal point for e-commerce - it is most welcome and for

Switch of support boosts Thai candidate's bid for WTO job

By Guy de Jonquières

Supachai Panitchpakdi, Thailand's deputy prime minister, appeared last night to have achieved a decisive lead in the race to head the World Trade Organisation after all European Union members except Sweden swung behind his candidacy.

many's foreign minister, at the end emerged in his favour. of a meeting of EU and Asian foreign ministers in Berlin.

Previously, Germany and six other EU members had supported Mike Moore, a former New Zealand prime minister, who is the only other candidate left in the race. Seven EU governments had supported Mr Supachai, while France was

The overwhelming switch by EU governments in favour of Mr Supa-

enjoyed among the WTO's 134 members. He has solid support in Asia. day's meeting that Germany was led by Japan, and some backing from most other parts of the world.

Mr Moore is still supported by the US. many Latin American countries and parts of Africa and the Caribbean. However, Washington has The surprise decision was indicated that it would not veto Mr announced by Joschka Fischer. Ger-Supachai if a strong consensus

WTO members, which have been seeking since October to agree a successor to Renato Ruggiero as the organisation's director-general, aim to reach a decision by tomorrow.

The new appointee will take office at the beginning of May and will play a central role in preparing for the WTO's ministerial meeting in Seattle late this year, which is expected to launch a new trade liberalisa-

tion round.

small lead the Thai candidate EU bandwagon rolling in favour of Mr Supachai when he told yesterprepared to support his candidacy if

other governments did also. Swedish officials expressed disappointment at the meeting's outcome and said the decision might have gone differently if it had been left to trade, rather than foreign, ministers. They said Sweden had not yet decided whether to continue supporting Mr Moore.

Originally, there were four candidates to succeed Mr Ruggiero, but Roy MacLaren of Canada and Hassan Abuyoub of Morocco were excluded after failing to gather sufficient backing.

Until now, every head of the WTO and the General Agreement on Tariffs and Trade, its predecessor, has been a European. But the EU agreed this time not to field a European



Markets

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Former US president Jimmy Carter (left), on his first visit to Taiwan, ident Lien Chan in Talpei. Mr Carter cut Washi

ties to the island 20 years ago so the US could recogn

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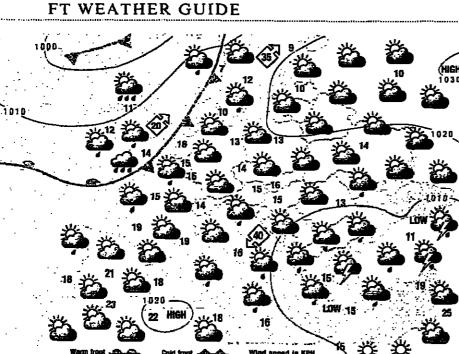
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Europe today

Scandinavia will have a dry day with patchy cloud and sun apart from showers near the Norwegian coast. Brittany, the Channel coast and the Low countries will have outbreaks of rain. The rest of France and central Europe will be dry with sun. North-west Spain will have showers at times. and southern Italy, Maita and showery day across Greece and the Greek islands including Crete and Cyprus.

Five-day forecast

The thundery weather in the eastmove away. There will be some showers in Cyprus. Rain or show ers will also affect Spain and western France on Thursday and Friday. Much of Europe this week will be settled with dry weather.



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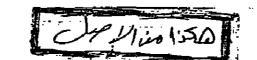
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INSIDE

P&G drives advertising consolidation Bid speculation in the advertising industry is such that most independent agencies are seen as targets. The decision by Procter & Gamble. the biggest advertiser, to remove its no conflict policy could spur consolidation. Page 23

Slovnaft to seek foreign partner Slovnaft, the Slovak oil refiner and the most highly capitalised stock on the Bratislava stock exchange, is to seek a foreign partner after posting a fall in profits last year. Page 20

PGS chiefs predict 27% profit rise Reidar Michaelsen and Bjarte Bruheim, chief executive and chief operating officer of Petroleum Geo-Services, the largest offshore seismic data group, predict a jump of up to 27 per cent in ore-tax earnings. Page 20

Copper industry may cut production The copper industry has been heartened by comments from mining group BHP that it may cut back production. Copper is heading for a production surplus, and the price has fallen 9 per cent from the end of last year. Page 30

EDR programme set to get a boost Some eastern European companies are set to launch limited euro depositary receipts (EDRs) programmes, which do not include capital raising, boosting the market, which has seen little activity so far this year. Page 28

Dax continues to trail global markets



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After a rally in January, the German stock market has trailed global exchanges. Even the resignation of Oskar Latontaine (left) as finance minister failed to lift the Xetra Dax index. And it is likely to remain under pressure as forthcoming first-

quarter results reflect the impact of global crises, although the euro's weakness should benefit exporters in the second half. Page 40

Liffe to tie-up with clearing house The London Internation Financial Futures and Options Exchange and London Clearing House are to tie up to provide trading and clearing services to the mainstream cash markets. Page 25

HK banks prepared for recession Hong Kong's economy is in recession but Joseph Yam, head of the Hong Kong Monetary Authority, the territory's central bank, says the capital adequacy ratios of Hong Kong's banks will enable them to manage. Page 24

Junior mining group fights its comer Junior mining companies are out of favour and subject to low metal prices. Gabriel Resources. one of many juniors listed on the Vancouver Stock Exchange, is fighting back. Page 30

COMPANIES IN THIS ISSUE

	••••	••••••••••••••••
AT&T	25	Lucent Technologies
Alpha Credit Bank	20	M&C Saatchi
Alusuisse Lonza	19	MOL
Arco	18,19,22	MacManus
BNP	19	Manchester United
BP Amoco 18,	19,22,36	Monsanto
Bank Bali	24	Morse
Bank of East Asia	24	Motorola
Baugur	20	Navistar
Bk Tokyo Mitsubish	i 24	New World Dev'ment
Blue Circle	36	Nissan Motor
Boeing	6	Novartis
Bona Shipholding	20	OMV
British Telecom	25	Otivetti
Commercial Bank	20	Omnicom
Computer Associate	s 19	Paribas
Cordinat	23	Peregrine Inv Hldgs
Dana Corporation	22	Petr. Geo-Services
•	23	PetroFina
Duke Energy		Piraeus Bank
EQT Scandinavia	20	Pireth
ESG Eurobank	20	Platinum Technology
C	~~	

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24 Siemens Automotive 24 Slovnaft 23 SocGen 24 Tatenergo 25 Teekay Shipping 25,36 Telecom Italia 23 Telenor 20 Telia 22 Total 20 True North 20 VSZ 20 Viao 23 Wit Capital 25 York International

Procter & Gamble

Saatchi & Saatchi

Sabroe Refrigeration

Publicis

PwC

P&O

Qualcomm

Railtrack

Renault

Safeway

23 Shell Transport

22 Schindler

SPT

23

CROSSWORD, Page 30

MARKE	T S	TATISTICS
Annual reports club leachmark Govt bonds load futures and options load prices and yields lond prices announced, UK MS currency rates announces strooprices trooping prices tood interest indices T/S&P-A World indices	34,35 28 28 28 30 25 29 27 28 37	Emerging Market bonds FISE Actionies share indices Forzign exchange Gas prices London share service Menaged tunds service Money markets New intil bond issues Recent issues, UK Short-term int rates Shock markets at a glance US interest rates

Nissan net debt just short of \$20bn

Renault reveals worse figures than previously disclosed

Nissan Motor has net debts of \$19.9bn - \$2.2bn more than the Japanese carmaker, in which Renault plans to buy a controlling stake, had originally disclosed.

The size of the debts came as further confirmation of the scale of Nissan's problems, the result of an ambitious expansion fuelled by easily-available

The figure has been swelled by off-balance sheet debts worth \$3.5bn, including liabilities in non-consolidated subsidiaries and financial leases. If debts from financing units are included Nissan owes its creditors \$34.5bn. On Saturday Renault announced it had

Central

in French

takeover

battle

By Samer Iskandar

and Robert Graham

"establish a dialogue".

agreed merger.

cial interests".

It underlined the concerns of

the central bank and the

Socialist-led Jospin govern-

ment that the battle could open the door to a foreign bid

for any one of the three banks.

Citing "the higher interest of

Trichet said he "wished that

the establishments concerned

the advances of Michel Péber-

bids for Paribas and SocGen.

The CECEI, chaired by

Hervé Hannoun, deputy gover-

nor of the Bank of France.

which also includes Jean Lem-

ierre, director-general of the

treasury, among its members,

was due to meet last week. But

of potential losses.

institutions.

on takeover bids from foreign

Last week, the Conseil des

20

22

eau, head of BNP.

(85.4bn) on a 35 per cent controlling stake in Nissan, its engine and truck arm and its European financial subsidjaries.

investors in Tokyo yesterday. It was the first time Nissan's financial situation bad been evaluated in line with international accounting standards. The announcement dispelled uncertainty over the scale of the liabilities. Shares in Renault rose nearly 3 per cent

agreed to spend Y643bn day at Y468. Renault's calculations confirmed suspicions that Nissan has sizeable debts in its subsidiaries and dealership network. Liabilities at Nissan Diesel, the truck and engine unit, are \$4.2bn. Debts released by Renault in a preat non-consolidated dealersentation to analysts and ships amount to \$3.3bn.

appeared accurate, and were hardly surprising given Nissan's earlier warnings. However, they said Renault's estimates did not include liabilities from Nissan's pension fund shortfall. Peter Boardman, analyst at Warburg Dillon Read, estimated that \$5.4bn capital injection and to close at €35 (\$38.50), while

underfunded by at least Y300bn (\$2.5bn). This is disturbing as Nissan, like other Japanese companies, will have to record this shortfall as a liability on its balance sheet when consolidated accounting rules come in next year.

Politicians from the Liberal Democratic and Liberal parties Analysts said the figures are debating ways to allow companies to avoid recording these obligations on their balance sheets and make up the shortfall by contributing equity holdings to their pension funds. Renault calculated that the

Nissan's debt-to-equity ratio to 1.6 times, according to Japanese accounting principles. But proforma calculations, which Nissan argued were more accurate, indicated the debt-to-equity ratio would fall to 0.7 as of this month.

The French group expects Nissan's \$19.9bn worth of net liabilities to drop to \$6.2bn by 2002, through asset sales, inventory reductions, and synergy gains from the strategic alliance. The synergy effects would be worth \$3.3bn between 2000 and 2002, the companies said.

Yoshikazu Hanawa, Nissan president, said the carmaker had made rapid progress in its

Computer **Associates** in \$3.5bn merger with rival

Computer Associates, the US software group, announced the biggest merger in the software industry's history yesterday by agreeing a \$3.5bn takeover of rival Platinum Technology.
Platinum's shares jumped

151 per cent to \$24 in response to the offer of \$29.95 a share. The shares had closed at \$9% on Friday.

Not only is Computer Associates paying a premium of nearly 300 per cent to Platinum's pre-bid market value, it is paying in cash, funding the entire deal though a \$4.5bn credit facility. Credit Suisse First Boston, the investment bank which advised Platinum, is sole underwriter.

Platinum and Computer Associates have built up a range of business management software products, often by acquiring smaller companies. Platinum provides tools for database management, updat-

ing and managing software in businesses, data warehousing and knowledge management. Computer Associates also offers database and systems management tools. However, the company said yesterday

that there was little overlap. Computer Associates highlighted two other aspects of the deal. First, Platinum has a substantial consulting and services business, with strengths in Europe, which will complement its Global Professional Services division. Second, both have expertise in 3D visualisation software. By combining, Computer Associates hopes to

become a leader in this field. Platinum has achieved much stronger growth over the past year. It had revenues of \$941m in 1998 compared with \$623m the year before from which it made 82 cents of operating

income per share. In contrast, Computer Associates has had flat sales revenues of about \$1.4hn in its last quarter compared with \$1.3bn in the same period of the previous year.

The company, which had earnings of \$2.18 per share on revenues of \$4.7bn in the year to March 1998, said the Platinum deal would add about 25c per share to earnings in the first year. However, the shares lost about 3 per cent, dropping \$114 to \$3214 compared with a high over the past year of \$62.



BP confirms Atlantic Richfield talks

By Robert Corzine in London and Andrew Edgecliffe-Johnson In the banking community", Mr

dialogue among themselves with a view to reaching a solution which would fully respect each house's moral and finanknown as Arco.

Mr Trichet has spent the better part of the past week might not lead to a merger. month peak of \$821/4. vainly trying to convince the However an announcement is heads of the three banks to end their hostilities. the companies have considered Yesterday, André Lévy-Lang. chairman of Paribas, and Danthe terms of an all-stock deal iel Bouton, head of SocGen, valuing Arco at around \$25bn. were insisting on their own amicable merger and rejecting

company, yesterday confirmed or just over 10 per cent, to \$72. of the benefits of a link-up. It it was in takeover talks with Analysts pointed out that the and Arco jointly operate the interests it could enhance Atlantic Richfield, the Los mooted offer price of \$77 per glant oilfield at Pruthoe Bay. Angeles-based oil group also share would be 19 per cent above Arco's price at the end dez is pictured above. Dick Oli-BP Amoco warned the talks of last week but below its 12- ver, chief executive of BP

Arco's shares have suffered expected on Wednesday or from the company's patchy Thursday, after the boards of investment record. Wall Street was unimpressed by the tim-The news sent BP Amoco explorer. Analysts bad critic- interesting thing."

shares up 3.9 per cent or 40 ised it for being too slow to If BP Amoco uses purchase pence a share - to close at make its international accounting for a \$25bn bid, the transaction could dilute its
By midday in New York
Arco's stock had jumped \$6\frac{1}{2}\tag{1}\tag{1}\tag{1}\tag{2

whose 800-mile pipeline to Val-Amoco's exploration division,

is briefing state officials today. Jay Wilson, analyst at J.P. Morgan, said he could not fault the strategic logic. He ing of last year's acquisition of added, however: "The price Union Texas, an independent and accounting issues are the

were treated as a pooling of earnings by 3 per cent.

bids from rivals such as Chevron or Texaco. BP Amoco is advised by Mor-

gan Stanley, while Arco is represented by Goldman Sachs and Salomon Smith Barney.

Big, bigger, biggest, Page 17 Lex, Page 18 Analysis, Page 22

Merger between Bank of France officials said a deal between the three banks was still possible. However, Mr Alusuisse and Trichet's statement followed a decision yesterday by the credit institutions committee (CECEI), which formally Viag collapses approved BNP's unsolicited

The proposed deals were also cleared yesterday by the Commission des Opérations de By Tony Barber in Frankfust and Bourse, the stock market

One of Europe's biggest planned cross-border mergers collapsed last night after German conglomerate Viag said disagreements with Swiss group Alusuisse Lonza over terms meant their deal could the complexity of the approval. not go ahead.

plus efforts by Mr Trichet to After a meeting of its superconvince the banks to join visory board in Munich, Viag said it would insist that its shareholders should own at forces, held back a decision. Yesterday's session of the CECEI is understood to have least 67.5 per cent of the been one of the longest ever merged group rather than 65 and accepted the first hostile per cent as envisaged last bid in more than a decade in November when it struck the deal with Alusuisse, an alu-French banking. Guarantees by BNP on jobs were accepted minium packaging and chemiat face value, even though cals group.
bank unions continue to warn Alusuisse said last night it

bank unions continue to warn had decided not to continue Bankers said the decision | talks with Viag on the €20.2bn was an implicit admission in (\$21.5bn) merger using the prothe current climate of consoliposed structure, signalling the death of the deal. dation in the European bank-"Both groups continue to ing business that France could no longer close the door tight

believe in the strategic value of the combination and [Alusuisse] regrets the technical obstacle preventing its execution, " the company said.

Marches Financiers, the finan-cial markets regulator, cleared Earlier, Martin Ebner, the Swiss group's chairman the twin proposals. According to French regula-tions, the three offers - BNP's | 22 per cent of Alusuisse, had respective bids for SocGen and predicted the merger would collapse if Viag tried to alter its terms. Commenting on Paribas, and SocGen's bid for Paribas - will run in parallel for 35 business days, during Viag's new offer to Alusuisse which shareholders will have of 32.5 per cent of the merged group's shares, he said: "It However, a lawsuit launched isn't in the interests of the

[Swiss] shareholders." last week by SocGen and Paribas, challenging the CMF's Viag appeared to be wooing its shareholders last night decision to allow BNP's offers to proceed, could interfere when it unexpectedly announced that it planned to

The wrangling over the terms underlines how much barder such large, cross-border deals are to arrange than mergers between companies Although the merger appears to have broken down because of a dispute over the respective valuations of the companies. the breakdown also reflects serious differences in management styles.

Matters came to a head on Sunday when Theodor Tschopp, an Alusuisse veteran who was to have been chairman of the enlarged group. resigned as chairman and was replaced by Mr Ebner, Switzerland's best-known shareholder activist. Mr Ebner is understood to have wanted to give even greater power to Sergio Marchionne, Alusuisse's chief executive, in the running of

the enlarged group. Simon Marshall-Lockyer of analysts BT Alex Brown said that the stock market would be glad that the deal had been called off. Both sides had found the merger difficult to justify and the share prices of both companies had fallen by around 10 per cent since it was

News of the breakdown in merger talks came after the close of Frankfurt trading. But investors had already driven the German company's shares down by more than 7 per cent to €515. Alsuisse's shares closed 2.3 per cent higher at



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NEWS DIGEST

Brussels approves merger

The European Commission yesterday approved the merger

the companies agreed to sell stakes in their petrol storage

of France's Total and Belgium's PetroFina but only after

activities where Brussels detected potential competition

of Total and PetroFina

Alpha Credit to take control of Ionian Bank

By Keria Hope in Áthens

Alpha Credit Bank, Greece's controlled Ionian Bank in offer. the country's biggest privatisation sale so far.

increase Alpha Credit's marper cent to 20 per cent and competitiveness ahead of the euro-zone in 2001.

Russia

to sell

holding

in power

company

By Andrew Jack in Moscow

Russia's last significant

and distributor in the semi-

autonomous republic of

Tatarstan, would be trans-

ferred to companies and

employees before the sum-

A stumbling block was

Anatoli Chubais, head of

power group, agreed to offer

between 1 and 2 per cent of

the shares of his company

for 10 per cent of Tatenergo.

10 per cent stake in Tate-

nergo for 25 per cent plus

one share in each of two sub-

sidiaries when they were subsequently hived off. The

two units are the Tatarstan's

high voltage electricity

transmission operator and

the Nizhnekamsk hydro-elec-

Gazprom, Russia's gas

giant, is set to write off Tate-

nergo's debts in exchange

for a 10 per cent stake in the

20 per cent of the shares -

partly to reduce substantial

tially retain up to 60 per cent

of the shares, will assume

investor will take a stake of

cent may be made available

national RTS stock

As part of a special auton-

omy agreement between the

Russian Federation and

Tatarstan agreed in 1994 and

renewed this month, the

republic kept all of its prop-

erty rather than handing it

over to the decisions of poli-

ticians in Moscow. President

Mintimer Shaimiev's policy

of a "soft entry into the mar-

ket" ensured it remained in

terparts in other parts of

expressed doubt yesterday

about whether the privatisa-

tion would go ahead and

would prove attractive,

'Investors are looking for

liquidity and disclosure, but

Tatenergo has neither," said

Alison Graham with United

Tatenergo, which pro-

hours of electricity last year, (\$9.8bn).

duced 20,867m kilowatt

reported losses in 1998 of

Rbs127m (\$4.8m). An adviser

Financial Group in Moscow.

analysts

state hands while its coun-

Russia were sold.

However,

wage arrears.

truck manufacturer.

tric generation plant.

UES would later swap its

Dr254bn for a 51 per cent leading private bank, is to stake. ESG Eurobank, the pay Dr. 276bn (\$912.4m) for a other shortlisted bidder, group's investment banking majority stake in state- failed to submit a binding The acquisition will the balance sheet of Com-

The proceeds from the sale will be used to strengthen mercial Bank, Ionian's strugket share in Greece from 13 gling parent group. Greece's socialist government is comgive a significant boost to its mitted to selling a majority holding in Commercial Bank Greece's probable entry to next year under a structural reform programme agreed

Piraeus Bank's offer of

Alpha Credit was advised by Credit Suisse First Boston and Alpha Finance, the arm. J.P. Morgan advised Commercial Bank.

The outcome marks a setback for Piraeus Bank, a small but aggressive Greek bank which raised Dr240bn in fresh capital to finance the bid for Ionian. In a last ditch attempt to capture increased its offer to sector. Dr295bn. A government offi-

Alpha Credit outbid with the European Union. cial said the bid was immedinetwork than Alpha Credit ately rejected because it vio- but lost a sizeable percentlated the sale terms.

Piraeus Bank's share price yesterday fell eight per cent, the limit permitted by the Athens stock exchange, to close at Dr9.460. Alpha Credit's share jumped eight per cent to Dr40,800.

Analysts said that Alpha Credit paid a high premium to secure its leading position as consolidation picks up Ionian, Piraeus yesterday speed in Greece's banking

Ionian has a bigger branch

97

However analysts question

the company's optimism

when most oil companies are

either cash strapped because

of low oil prices or preoccupied with the global

consolidation sweeping the

Lynch, for example.

foresee a harsher fall in

seismic activity of 22 per

One Oslo analyst with a

reduce recommendation on

PGS said: "Our outlook [for

the industry) is basically the

concerned the competitive

situation in 1999 may not be

entirely bullish either. The

company has planned a

measures, such as the

removal of eight seismic

as bright as PGS believes."

industry.

age of its lending business last year after a six-week strike by employees opposed to its privatisation. Alpha Credit said its bid "was at the higher end of the range" and it would seek shareholders approval for a Dr120bn capital increase to help finance the acquisition.

It said a full merger with Ionian was planned to complete the group's distribution network in mainland Greece and the Aegean islands.

change in strategy by Alpha Credit, which decided against bidding when a majority stake in Ionian was first offered last year through a tender sale on the Athens stock exchange. That deal collapsed after the government rejected the only bid of Dr138bn as too low.

An Alpha official said: "After an exceptionally profitable year in 1998 and a very strong first quarter we decided we could afford to enter a bidding process."

buy Bona giant fleet

Teekay Shipping. operator of

global demands of merging

the demands of a sector in the throes of consolidation.

companies' fleets, focused number of cost cutting the seismic market and I mainly on Aframax tankers. don't think the whole cuts overlapping overhead uncertainty has come across costs, improves economies of scale and purchasing power. Eli Setersmoen an analyst Teekay is the leading tank operator in terms of traffic "But if anyone should in the Indian and Pacific survive a bloody market, it's oceans. Bona concentrates

> Teekay will pay \$136m for 18.9m outstanding shares in Bona - which will be delisted from the Oslo stock exchange - via \$7 or 0.485 Teekay shares per Bona share. Teekay will also assume \$314m in debt, valu-Sabroe, the opportunity to ing the transaction at \$450m, combine Sabroe with York or a 12 per cent premium to Bona's market value on March 26.

The merger has secured commitments from Bona's largest shareholders for more than the necessary 75 per cent majority required for the deal. Goldman Sachs advised Teekay and Warburg

Teekay to and create

the world's largest fleet of yesterday said it would buy Norway's Bona Shipholding for \$450m to create a giant shipping fleet three times bigger than its nearest com-petitor.

oil clients.

Admittedly, PGS is not stock exchange at NKr114, a June.

"We've seen an excellent same."

Bona shares surged 41.7 per cent on the Oslo stock exchange, closing up NKr15

Dillon Read advised Bona.

long-term potential of the

Oslo analysts at Carnegie.

outperform from match and

because of optimism about

future contracts in West

Africa and anticipated

The company's shares

"It's a large uncertainty in

to PGS management," said

efficiency of PGS's fleet.

rise of NKr on the day.

to

company.

nalysts at Merrill recommendation

same, but we are a bit improvements in the

By Valeria Sköld in Oslo

medium-sized oil tankers.

The enlarged Teekay, with a market value of \$1.6bn. will broaden its fleet to 76 Michaelsen said. Analysts vessels and widen its coversee the reductions as age to meet the increasing positive and believe in the

The consolidation in the oil tanker business follows a Swedish brokerage house. last week's deal between have upgraded their Scandinavian shipping companies Wilhelm Wilhelmsen and Wallenius Lines, which predict the company's share combined to form the price on the Oslo stock world's largest car shipping exchange will rise to NKr125 company, similarly to meet in the next six months

Teekay, based in the Baha mas, expects its deal with Bona to improve its earnings per share and result in \$10m in annual cost savings, once ended the day on the Oslo the merger is completed in

> fit for a long time." said Bjorn Moller, Teekay chief executive. "It's an ideal time to get together when our customers are doing the

Oilmen strike a rich source of optimism

PGS sees earnings soaring despite the state of the oil market, writes Valeria Sköld

ptimism is a rare commodity in the oil business these days. But Reidar Michaelsen and Bjarte Bruheim, chief executive and chief operating officer of the world's largest offshore seismic data company, are two of the most optimistic men in the oil and gas business.

The pair predict that electricity company in state Norwegian-listed Petroleum hands could be on the road Geo-Services, the tenth to partial privatisation as soon as this April, according largest company in value on the Oslo bourse, will see a to advisers close to the comjump of up to 27 per cent in Under the terms being dis-Ebitda pre-tax earnings cussed, a significant minority stake in Tatenergo, the interest, tax, before depreciation and amortisation to nearly \$600m monopolistic power producer

this year. The rosy forecast comes despite PGS's expectations of a 20 per cent fall in global exploration and production expenditure to \$71bn among the top 16 oil companies.

removed last week after There has also been a 9 per cent fall in total seismic Unified Energy Systems activity this year amid fears of a continued low oil price (UES), Russia's principal - although crude oil prices have this month improved slightly after the world's main oil producers agreed to cut production.

> PGS is betting that oil companies will need its technology more than ever to help them reduce their drilling costs and produce more cheaply.

The company's vessels traverse the seas, recording sound waves over offshore exploration acreage and processing the data that helps the oil industry find petroleum resources.

thousands of metres below and revenues of \$420m.



the seabed, using a process similar to that used to produce ultrasound pictures of an umborn baby.

"Even hospitals in stress situations don't stop X-raving before they Mr operate, said "We have to be Michaelsen. optimistic."

His colleague Mr Bruheim points out that oil companies do not wait for the oil price to rise before conducting seismic research. "They need to pick acreage and leases now," he said.

The company is also hoping that increased revenues from its newly acquired floating production and production services business will make up for the seismic slowdown.

PGS predicts seismics will contribute 48 per cent of its revenues over the next two years, down from 76 per cent crews representing 300 staff, last year. At the same time, aimed at saving \$140m revenues from its production annually to adjust to the services business will expected decline in seismic It can also provide increase this year to 39 per activity. company, while managers | reservoir services that show | cent from 18 per cent, with a | and staff will receive about | how oil floats in a reservoir | predicted \$160m in Ebitda

how oil floats in a reservoir predicted \$160m in Ebitda wouldn't like to be quoted as focused management and being completely naive." Mr efficient fleet."

"We're optimistic, but we

competition and the move accounted for over 4,000 of

them. They have a very on the Atlantic ocean.

at Orkla Finans in Oslo.

J Lauritzen shares surge as it The state, which will inithe money owed to Tate-nergo from Kanaz, the giant sells 50% Sabroe stake to York

Advisers hope that in a By Clare MacCarthy second stage a strategic in Copenhager

up to 25 per cent, while 5 per Shares in the Danish shipping and industrial to others through the group J. Lauritzen Holding surged vesterday after it said it was selling its 50 per cent stake in Sabroe Refrigeration to York International of

Lauritzen shares closed up DKr74 at DKr524 on the Copenhagen stock exchange York International, which

has interests in refrigera- had been preparing Sabroe tion, heating, air condition- for an independent stock ing and ventilation, will pay exchange listing but earlier \$586m - including debt of this month announced the

Schindler, the world's

second biggest manufacturer

of elevators and escalators.

increased its market share

last year despite an 11 per

cent fall in the estimated

world market, to SFr14.5bp

Schindler, which reported

\$172m - for Sabroe, in a deal that the partners say will create the world's largest supplier of machine refrigeration products.

per cent stake is EQT Scandinavia, a Sweden-based investment company. Lauritzen had come under increasing pressure to

streamline its holdings after its Danyard shipyard swung into heavy losses in the mid-

Before the sale, Lauritzen

Schindler increases market

tors and elevators rose by 2.8

per cent, to SFr5.3bn, in

1998. Schindler rolled out

several new products last

decline in Asia, which had

accounted for 56 per cent of

Schindler estimates that

the total number of escala-

the world market in 1998.

postponement of the IPO. While the sale to York for the company and its caught the market by surprise, analysts welcomed the deal. "This is absolutely pos-The seller of the other 50 itive news for Lauritzen. They've got a very good price compared to what they would have got on the stock market," an analyst with a

leading Danish bank said. Copenhagen stocks, particularly "small-caps", had underperformed for weeks so a straight sale to York made perfect sense and came at just the right time for Lauritzen, he added.

Lauritzen board chairman, \$1.2bn.

towards cheaper standar-

cent in value terms last year

and Latin America fell 10 per

cent. This was partially off-

set by double digit growth in

North America and single

which accounts for nearly

Schindler estimates that

dised equipment.

year which helped offset the the Asian market fell 20 per

tors and elevators sold in the digit growth in Europe,

shareholders. "While we considered a public offering for in this way, at a fair price, is highly favourable for our shareholders, employees and customers." he said. Sabroe has a turnover of about DKr4.3bn (\$621m) and to NKr51.

called the deal the right step

4.400 employees in 40 subsidiaries world-wide. Based on 1998 results for both Sabroe and York, total pro forma annual revenues for the Refrigeration Products Michael Christiansen, Group of York was about

the 16,000 escalators sold last

vear. Its 25 per cent market

share compares with Otis's

18 per cent. Mitsubishi's 13

per cent, Kone's 9 per cent.

boost its operating margins

from 2.3 per cent in 1996 to 4

per cent in 1998 through cost

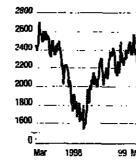
cutting and wants to achieve

a 7 per cent margin in the

medium term.

The group has been able to

and Thyssen's 8 per cent.



Share orice (E)

OIL

problems.

The Commission, which vets all mergers over a certain size in the European Union, said the oil deal would squeeze competition in the market for "non-forecourt sales" of petrol, diesel and heating oil in parts of Northern France. Non-forecourt sales are those made to resellers such as hypermarkets and non-branded petrol stations, or to large end-users such as transport groups and industry. By selling storage depots in the area, the Commission believes alternative suppliers will be able to enter the market for non-forecourt sales.

Part of the merger has been referred to the French com-

petition authorities which want to examine the effects of the operation on petroleum storage in south-west France. However, the deal can go ahead before the French authorities complete their probe. Emma Tucker, Brussels ■ The European Commission yesterday also approved the SKr50bn (S6bn) acquisition of Volvo Cars by Ford of the US, the world's second largest carmaker. Although the Commission said Ford's acquisition of the Swedish group's car division would lead to enlarged market shares in executive and sports cars, it ruled that the overlap was unlikely to obstruct competition. Tim Burt, Stockholm

TRUCKS AND ENGINES

Navistar enters joint venture

Navistar, the US truck and engines manufacturer, is to join forces with Siemens Automotive, part of the German electrical and electronic engineering group, in a \$100m joint venture which will develop and make "next generation" diesel fuel injectors.

Siemens Automotive. one of the big "tier one" suppliers to the automotive industry, will have a 51 per cent interest in the joint venture, which will be known as Siemens Diesel Systems Technology and is likely to employ around 500 people. The total capital investment in the venture is put at

around \$100m. The new company will make electronically-controlled low-pressure injectors to be used in diesel fuel systems made by Navistar. Navistar will supply expertise on electro-hydraulic systems, while Siemens will add fuel delivery technology and manufacturing capability at a yet-to-be-determined site in the south-east of the US. The fuel injection system is due to become available for commercial use in the 2002 model year. Nikki Tait, Chicago

IRON ORE PRODUCTION

Steel output drop hits LKAB

LKAB, Europe's largest iron ore producer, is forecasting its first operating loss since 1982 due to falling European steel production and increased competition from iron ore supplies outside Europe. Prices of its main product, iron ore pellets, have been cut by 14.9 per cent compared with last year, with the price of ore fines, low phosphorous ore in a powder form, down 13.4 per cent.

The company is also predicting that sales of its iron ore products will be below the 20.3m tonnes recorded in 1998. Last year LKAB which is owned by the Swedish state and whose mining and processing activities are based in the north of the country above the Arctic Circle, made a pre-

tax profit of SKr960m (\$115m) in 1998. The dual pressure of falling prices and volumes had its roots in the Asian economic crisis, according to Raymond Hedman, company spokesman. "It is very difficult to make forecasts but we are saying that we can't see any sign of any upturn." Nicholas George, Stockholm

ICELAND

Retailer to come to market

Baugur, Iceland's largest retail chain, is expected to come to the market in Reykjavik later this month with an estimated market capitalisation of \$130m-\$150m. The retailer, controlling about 40 per cent of the food distribution market in Iceland, will become one of the largest quoted companies on the country's stock exchange.

The company, with annual turnover of \$260m and a modest profit last year of \$6m, is the latest new listing in Iceland, where as recently as 1990 there was no shareholder activity. In the past nine years, 65 companies have come to the market. Their combined market capitalisation of about \$3.2bn is equivalent to 40 per cent of gross domestic product. The Icelandic Investment Bank (IIB) said that figure could grow to 50 per cent of GDP this year.

TYRES AND CABLES

Pirelli rises despite sales fall

Pirelli, the Italian tyre and cables group, yesterday reported a 4.3 per cent rise in 1998 consolidated net profits to L534bn (€276m, \$296m), despite a 5.7 per cent fall in sales to L10.624bn.

Although market conditions would continue to be difficult and highly competitive this year, Pirelli said operating profits were expected to remain "in line" with last year's operating profits of L798bn. Operating profits in 1997 were 1760bn. Net financial debt rose from 1478bn at the end of 1997 to L513bn at the end of last year reflecting in part the Siemens cables acquisition.

The company's cable division reported a 7.7 per cent rise in 1998 net income to L280bn on lower sales of L5,397bn. The tyre division reported flat net income of

L231bn last year on lower sales of L5,218bn. Pirelli is proposing to increase its dividend by 16.6 per cent to L140 for each ordinary share from L120 last year.

to the company said its earlier in the month, said 235,800 in 1998. The fall in half of Schindler's sales. assets were worth Rbs15bn. I that revenues from escala-value reflects increased price Schindler estimates that it Telenor-Telia merger moves step closer | Slovnaft searches for strategic partner

a double digit rise in profits world fell 2.9 per cent, to

By Tim Burt in Stockholm

The governments of Sweden and Norway were yesterday this week, it is unlikely that understood to be finalising the proposed merger of Telia and Telenor, their respective state-run telephone companies, after resolving some of the management issues that hoped for an IPO this sumthreatened to scupper it.

After almost two months delayed. of talks, ministers in Stocking the division of senior management roles and the appointment of a new board.

ment in detail yesterday.

Even if the deal is signed a stock market listing valuing the company at about SKr300bn (\$36bn) will take place as soon as expected. Advisers on both sides had mer, but that could now be

"The whole timetable has holm and Oslo are preparing been put back," one banker to unveil a structure for a said yesterday. "The introcombined company include duction to the stock exchange could be pushed into next year."

Officials want to ensure It is hoped that an agree- the capital market will react ment will be announced to the structure of the new turmoil this time, the two under Tormod Hermansson. before Easter, although nei- company, one of northern governments are thought to chief executive of Telenor.

ther government would com- Europe's largest telecommu- have deferred decisions on

nications groups. The deal, originally due to be signed last month, was delayed after differences emerged over management roles and the location of operating subsidiaries. That prompted claims

from Telia managers that the merger risked undervaluing the size and profitability of the Swedish side of the Last year such claims and counter-claims between

Telia and Telenor led to the

collapse of an earlier merger

In a bid to avoid similar

the location of particular divisions and subsidiary headquarters.

"It will be left to senior management rather than politicians to sort this out and the owners realise more time is needed for that," said one official in Norway.

Neither company would comment on reports that the mobile telephone and internet divisions would be based in Sweden, or whether Jan-Ake Kark and Stig-Arne Larsson, Telia's chief executive and finance director respectively, would be named joint deputy chief executives

By Robert Anderson in Prague

Slovnaft, the Slovak oil refiner that has run into financial problems, is to seek a foreign strategic partner after announcing a fall in profits for last year.

Slovnaft, the most highly capitalised stock on the Bracorn sold to domestic investors that is now having to look for a foreign partner after running into financial problems. The new management of

for a strategic partner and US Steel, which already participates in a joint venture, has ordered an audit ahead of a possible further

investment.

Slovnaft yesterday posted unaudited and unconsolitislava stock exchange, is dated pre-tax profits of the second big Slovak con- Sk909.6m (\$22.25m) for last year compared with Sk3.1bn for 1997. The company blamed the results on the fall in oil prices and the devaluation of the Slovak crown in October for which the VSZ steel group, the it has had to make provi-

country's largest company, sions for dollar-denominated last week reached a standloans. still agreement with credi-The disappointing results

tors after defaulting in come as Slovnast is complet-November, VSZ is looking ing a huge investment programme and is facing tough competition from refiners new lines but profits were such as OMV of Austria and

MOL of Hungary.

capable of raising the equity. Slovomir Hatina, president. said the management which owns 54 per cent. had hired Salomon Smith Barney as advisers and may be prepared to lose its majority position.

• SPT Telecom. the Czech fixed-line telecom monopoly. vesterday reported that last vear's net profits were stable at Kc6.06bn (\$174.09m) as revenues rose 15 per cent to and Swisscom.

hit by a 38 per cent increase in payments for traffic from The management believes mobile telephone operators it needs a strategic partner and a 32 per cent rise in depreciation. The company, which will lose its monopoly at the end of next year, is slowing

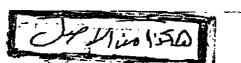
Kc45.89bn. writes Robert

Anderson. Revenues grew

from a large investment in

では、100mmので

investments and focusing on reducing costs in order to improve profitability. SPT, the most highly capitalised Czech company, is 51 per cent state-owned with 33.5 per cent held by Telsource, a consortium between KPN, the Dutch telecom company.



۵۲ مذالامل

sets approves merge

OUINTIES. But it's the lat counts.

With an unrivalled professional network that spans the world, we're committed to thinking globally. What you can't tell from our size alone is that we also think differently. We don't deal in off-the-shelf solutions. Instead, you'll find more individuals means more individual thinking; more innovation. Quite simply, more intelligence.



BP Amoco fits with Arco

Atlantic Richfield

Share price relative to the S&P Oil sector

Iridium wins time on debt

By Christopher Price

Iridium, the troubled hand-held satellite phone group, has won a 60-day breathing space from its main bankers on debts of

partly overshadowed by the separate announcement of the resignation of Roy Grant, chief financial officer, appointed by Mr Grant's enue and customer level covdeparture in two weeks.

Iridium shares, which came to the Nasdaq stock market at \$20 in 1997 and reached more than \$72 in the past year yesterday fell more than 11 per cent in early trading to \$19.

Despite this, the backing of its bankers will come as a relief to the company and investors. The \$800m of debts were covered by covenants that Iridium should hit certain subscriber and revenue targets by the end

However, the company looked increasingly unlikely to achieve these after a disappointing performance

since launching in November. The \$5bn Iridium satel- field on Alaska's North lite service is the first to | Slope. The strike in Prudhoe enable hand-held mobile Bay was the biggest ever in phones to be used anywhere

The covenant targets of 27,000 customers by the end However, the news was of March are thought to have reached less than half this figure.

The company said it intended to revise both these for "personal reasons". A figures and "request a modisuccessor is due to be fication of the minimum revenants in the secured bank

> Ed Staiano, vice-chairman, said recently he had been confident of a successful outcome to the talks because the banks had been kept informed of the group's difficulties from the outset.

He received a further boost last week when Bob Growney, president and chief operating officer of Motorola, the US telecoms group which founded Iridium and which remains a key investor, said "there was no question of fridium going under." pledging financial

in the world.

ance its strengths in refining and marketing. More than 30 years later, Arco has been accused of having rested on those lauularly in the international arena, had absorbed cash and failed to poduce as much profit as had been hoped.

By Andrew Edgecliffe-Johnson

In 1968, the newly merged Atlantic Richfield company

discovered a 13bn barrel oil-

the western hemisphere, and

gave Arco the exploration

and production clout to bal-

in New York

Albert Anton, an oil analyst at Carl H. Pforzheimer in New York, said vesterday: Arco seems to have drifted in recent years." That drift was also felt in

Arco's stock price. Between October 1997 and early March this year, the shares slid from above \$68 to a low It is unclear whether that

drop was what brought Arco into BP Amoco's sights and prompted talks about a \$25bn takeover of the seventh largest oil group in the

urgent need of a merger with discovery in Arco's history, a larger partner. But, they with more than 13,000bn cu ft of proven and probable natural gas reserves. "If BP Amoco is thinking for the Amoco made strategic sense. BP Amoco's refining and marketing operations are long term, in 50 years that focused on the east side of will be worth a lot," says Mr the Rocky Mountains, while

its Los Angeles-based target Arco has other internais the number one downtional investments, stretching from Algeria to China. stream group west of the but its long-standing Alaskan presence may be the Jack Aydin, of McDonald Co Investments, says success or failure of a takeover by BP Amoco. have been "mediocre at best", but adds that one of

Analysts expect the Alaskan state government to take a close look at the proposed deal, as a combination of BP Amoco and Arco in eastern Indonesia is the would leave one company in control of nearly 1m of the

Analysts are upbeat about the potential benefits of a merger for both oil groups 1.3m barrels produced in the state each day.

According to Mr Wilson, "what [Alaska] will be con-cerned about is, are the dollars still going to be spent in

BP Amoco would need to convince the authorities that, despite the likely costcutting following a takeover, such a deal would be in the long-term interests of production in the region.

The potential cost savings from sharing facilities in Alaska and cutting costs elsewhere are estimated at up to \$1bn, but Arco has made some progress towards cutting its own cost base

If analysts generally agree that the deal makes strategic sense, they are less sure of the financial logic. Last year, Arco's sales dropped from \$14.3bn to \$10.3bn, while net income, which was distorted by write-offs and disposal gains, fell from \$1.77bn to

Nonetheless, several analysts believe Arco could hold out for more than \$25bn. With no rival bidders on the horizon yet. however, BP Amoco could represent Arco's richest strike to date.

Goldman buys 22% stake in Wit Capital

Goldman Sachs, US-based investment bank that is about to become a public company, yesterday announced the acquisition of a 22 per cent stake in Wit Capital, an investment bank specialising in initial public offerings over the internet.

The acquisition comes as Goldman, along with other leading investment banks. reconsiders its own following the surge in online

itself is set to become a public company later this year. has taken in internet-focused financial companies. In January, the firm announced it was co-investing with E*Trade, the online broker. and Archipelago, an offexchange electronic stock trading network.

Wit. formed in September 1997, specialises in selling securities to individual investors. Like other internet investment banks, in

recent months it has won IPO business by undercutting the fees traditional investment banks charge.

Goldman said the two companies planned to co-operate in a number of areas, including IPOs, but both Goldman and Wit will investment banks.

We believe that Wit Capital is both an attractive investment for Goldman Sachs and an important part long-term internet strategy of our ongoing commitment to supporting the internet trading in the US.

and other new technologies
The stake in Wit, which in our business, both through internal development and external investment," said Henry Paulson Goldman co-chairman and 🐴 chief executive.

People close to the trans. action said that Goldman was paying more than \$20m in cash to Wit.

Goldman will acquire stock and warrants representing about 22 per cent of Wit's common stock, not including the shares that will be issued in Wit's

NETJETS. All the benefits of aircraft ownership at a fraction of the cost.

Rockies.

BP Amoco.

terday that Arco was in no third largest hydrocarbon

Arco's international invest-

ments would be attractive to

The Tangguh development

Not lets Innovation

In 1986, NetJets innovation brought sweeping change to the way business jets were acquired. The Netlets program now makes business aviation justifiable and affordable for more companies and Citation V Ultra, Citation Excel, dividuals than ever before.

Purchase or Lease

Net Jets allows you to acquire a fractional interest for as little as 1/8th the price of a full aircraft. You purchase or lease only what you actually need, saving millions of dollars over full aircraft ownership and enjoying guaranteed availability, costs, and liquidity of your asset.

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As the largest purchaser of business jet aircraft in the world. Netfers offers the broadest selection of the finest light,

midsize and large cabin aircraft. In Europe, the Citation SIL Citation VII. Hawker 800XP, and Falcon 2000 are. available in fractional shares. In the U.S., we offer fractional shares in the Citation VII. Hawker 800XP. Hawker 1000, Citation X, Falcon 2000, Gulfstream IV-SP, Gulfstream V and Boeing Business Jet.

Guaranteed Availability, Guaranteed Costs and Guaranteed Liquidity

As a Net Jets owner, you have guaranteed access to your aircraft and our entire theer to receive the fastest response and the broadest coverage to meet your needs anywhere in the world. Owners can atterchange to different ancraft types that are best suited to your travel

requirements here and in the U.S. You are guaranteed service to more

than 5000 airports in Europe and the U.S. with as little as 6 hours notice, 24 hours a day, 365 days a year. Netlets contractually guarantees to repurchase

vour ownership interest at fair market value. One inclusive monthly charge all fixed costs including r insurance, training, etc. An occupied hourly charge for only the hours you fly covers your variable operating costs. This means simplified financials and no aircraft management concerns.

You'll enjoy superior management of every aspect of your aircraft with totally predictable costs and no surprises-all at a fraction of the cost of a whole plane.

The Industry Leader

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Kodak warns of slow progress in earnings revival

once again signalled that its earnings revival was progressing more slowly than Wall Street had hoped though this time it at least escaped another knee-jerk hit to its stock price.

The US photographic prod- it is a part, surged back ucts company moved to nudge down market expectations for its earnings in the first three months of this

It added, though, that it still expected to make up the lost ground later in the year and to meet its earlier earn-

Yesterday's news will add to pressure on George Fisher, chairman, to demonstrate a sustained turnround in the second half of this year after the false starts

seen in 1998. Kodak's battered shares had jumped early last year on signs that cost-cutting was moving faster than planned, and that the company had finally responded to a surprisingly successful attack on its core US consumer film market by Fuji. However, Kodak once

again fell out of favour on Wall Street in recent months as it first revealed that revenues were growing more slowly than expected, then that cost-cutting efforts were running out of steam. Yesterday, it blamed a

the impact of buying a medi-Eastman Kodak yesterday cal imaging business, for expected earnings of 73-80 cents a share in the first quarter - below most Wall Street analysts' expectations of more than 80 cents.

While the Dow Jones Industrial Average, of which towards the elusive 10,000 mark in New York yesterday morning, Kodak's shares were languishing 26 per cent below their own 12-month

still up \$1 on the day, resisting the sort of sharp declines ings target for the whole of it had experienced on previous bouts of bad news Kodak's hopes for a sus

However, the stock was

tained revival later this year rest in part on a belief that emerging market economies in Asia and elsewhere are

finally turning the corner. Yesterday, the company reported "tentative signs' that the economic problems of the emerging market "may be moderating". Emerging market sales for the first half of this year will be below last year, but should look up in the second six months "should current trends continue". Kodak

While reducing its earnings guidance for the early months of this year, Kodak repeated its belief that it would report earnings of \$4.81-5.24 for the year as a

Dana and GKN plan alliance

and Thoreki Barker in London

Dana Corporation, the US automotive supplier, and GKN of the UK, plan a threepart strategic alliance aimed at bolstering their position in axles and driveline

The companies said yester-day they were joining forces in designing and developing advanced driveline systems for four-wheel and all-wheel vehicles, establishing a joint office near Detroit which will be staffed by engineers from both companies.

They will also collaborate on developing modular assemblies for passenger cars and light vehicles on a global basis.

In addition, the two groups will swap certain assets. Dana will hand its constant velocity joint (CVJ) drive. shaft interests to GKN. which has a stronger position in this area and 37 per cent market share world. wide. GKN, meanwhile, will pass its medium and heavy-duty propeller shaft business to Dana.

The Dana assets involved have annual sales of about \$300m, and the GKN businesses about \$350m. according to the US company. The Dana assets include a manufacturing operation in South Carolina, as well as joint venture, interests in Argen-

tina. Colombia and Brazil.

The GKN businesses are based in Europe - notably Germany, Italy and Sweden - and include a minority interest in light-duty Cardan-jointed propeller shaft

operations in UK and Spain. The two companies - both prominent players in the "under the vehicle" vehicle component market - said the deal would allow them to pool resources, but also play

to each other's strengths. It will confirm GKN's position as the world leader in CVJs, and Dana as the leader in the development of Cardan jointed propeller

Mark Little, analyst at BT Alex Brown, said of the deal: "It's an important strategic development. It puts GKN in a better position to develop advanced driveline systems and gives the group a stronger US position from which to win General Motors business after the Delphi demer-

The demerger of Delphi, GM's parts arm, is expected to open the carmaker's supply business to more external competition.

Dana and GKN already have a fairly close relationship. Dana bought GKN's axle business in 1995, and the UK company bought shares from Dana in the three South American asso-





Enersis

holders to

vote again

on offer

By Mark Mulligan In Santiago

Shareholders in Enersis.

Chile's largest electricity

generator, will today vote for a second time on clearing

the way for a \$1.45bn bid for

control by Endesa, the Span-

ish utilities group. The vote, called by institu-

tional investors after the

Spanish group fell less than

one percentage point short

of changing Enersis's statutes on shareholder concen-

tration at a meeting on Feb-

ruary 24, is expected to go in

"I think Endesa will get

the concentration approval

this time." said an invest-

ment analyst at one of the

eight pension fund groups

which together hold about

Endesa will use its own

32 per cent stake, which it is

looking to double, to vote in

favour of changing limits on

shareholder concentration at

Enersis from 32 per cent to

The company is also

30 per cent of Enersis.

favour of Endesa.

Trae North Communications
Headquarters: Chicago
Main agencies: Foote Cone &

Belding, Bozell Worldwide Gross Income: \$1.21bm

Recent troubles have included long search for new chief executive collapse of alliance with France's

Publicis and poorly performing share price. Tipped to bid for

Young & Rubicam Headquarters: New York

Main agency: Young & Rubicam

Good global spread, but with only

one agency in the group, it cannot

since last year's flotation could

Lee Burnet

Headquarters: Chicago

Main agency: Leo Burnett Gross Income: \$878m

Old-established agency with P&G among its blue-chip clients, but

resourced. It recently reached

Headquarters: Paris

Main agency. Publicis

Gross income: \$525m

Family controlled but public

beyond Europe through acquisitions. Looks in need of a big US partner

True North,

quoted agency that has extend

elv owned and under-

a agreement to sell a stake to Japan's Dentsu.

oldman buy stake in it Capital

Strange Charles

& STATE OF

COMPANIES & FINANCE: INTERNATIONAL

Havas Advertising Headquarters: Pans

Main agency: Euro RSCG Gress Income: \$1.03bn

Recently ditched by P&G. Asotres

represented in Asia and Latin

Amenca. Vivendi, the French utilities

and media conglomerate, is an

unstable shareholder

Saatchi & Saatchi

Headquarters: London

Mam agency: Saatchi & Saatchi

Gross income: \$657m

ected P&G agency with good

Worldwide

world-wide spread, but over-dependent on two big clients - P&G and Toyota. A tempting target - if anyone can altord it.

ADVERTISING P&G POLICY CHANGE MAY SPUR CONSOLIDATION

Campaigns stepped up for the big sell

By Richard Tomkins. in New York

It seems a sure sign that the bid rumours are getting out of control when a British Sunday newspaper reports that Lord Saatchi is planning to merge his M&C Saatchi advertising agency with Saatchi & Saatchi, the public company he once headed.

"It's like an ant proposing sex with an elephant," scolls a Saatchi & Saatchi insider, saying the tiny M&C Saatchi would have some nerve to propose to a company so many times its size. Yet for every bid rumour

knocked down in the advertising industry, another is ready take its place.

Will True North hid for Cordiant, or will WPP bid for True North" Is MacManus really talking to interpublic? Could Saatchi & Saatchi merge with Grey, then be acquired by Omn.com"

that nearly all the independent agencies are regarded as targets - even private ones such as MacManus and Leo Burnett.

ness has been consolidating same group works for a rival Bowles, some industry for years. Agencies have consumer goods company been getting together to pro- thus clearing the way for talking to interpublic, parent vide the global service that P&G agencies to be absorbed of McCann-Erickson Worldmultinational clients by larger groups.

increasingly require.

conflict policy, which prevented its agencies working for competing consumer goods companies. Until recently, client conflicts had been one of the biggest barri-

ers to consolidation. Acquisitive groups were reluctant to acquire P&G agencies - or even work for P&G - because they would have to give up business

'It's like an ant proposing sex with an elephant', scoffs

Saatchi insider

a Saatchi &

Bid speculation is so rife from other clients. With the easing of P&C's conflict policy. P&G agencies are still not allowed to work for within certain constraints. Like many other indus- P&G will no longer object if tries, the advertising busi- another agency within the

"This changes the game." But in the last few weeks, says Alan Gottesman, who

& Gamble, the world's big- Communications/Consulting gest advertiser, to relax its in New York, "It means companies that were sheltered are now on people's radar screens.

> Which are these compa-Saatchi.

Grey, although quoted, is effectively controlled by Ed Meyer, chairman and chief executive, who seems unwilling to retire. But as James Dougherty at Prudential Securities in New York 'At some point, you would think something has to hap-

week won global responsi-

As for MacManus, the privately owned parent of D'Arcy Masius Benton & sources say it is already

This seems improbable. a new catalyst has been follows the industry as man-since Ammirati handles living," says the chairman Havas Advertising and Pubadded: a decision by Procter aging director of West End most of Unilever's global and chief executive of a US licis, as well as the P&G tion, although nothing added.

P&G's global roster: Grey Advertising, Leo Burnett. MacManus and Saatchi &

pen," he says Leo Burnett, which last

bilty for the Heinz brand name, would benefit from greater access to capital from public ownership, or ownership of a larger group. And Saatchi & Saatchi's two David Herro of the Chicagohased Harris Associates,

wide, Ammirati Puris Lintas and the Lowe group.

"Middle-sized agencies globally can't live, unless

comment.

softer, kinder rules. But this another big agency group, is an industry in which thinks the industry will direct competitors. But would sell for the right price. everyone is talking to every- eventually be dominated by one. Neither company would just five companies: Omnicom, WPP and Interpublic -Meanwhile, speculation the three "supergroups"

about deals is not confined formed through earlier conto the P&G roster. Medium- solidations - plus groups based on Dentsu and Young & Rubicam. If he is right, this raises

questions over the future of they have a real reason for the two big French agencies,

Drew Fund Management and striking even for P&G's rell, chief executive of WPP, Britain's Cordiant Communications to remain independent for long. Lorna Tilbian of WestLB for the French companies

Main agency: Grey Advertising

relaxation of P&G's conflict colicy.

and chief executive Ed Meyer, who is 72 and has no obvious successor.

Effectively controlled by chain

Cordiant, which is strong in Europe and Asia Pacific, would make a good acquisition for Omnicom, which is North Communications, which is weak in Europe.

North are believed to have

Ms Tilblan is less sure about the merger prospects Panmure in London says after the collapse of True North's blighted marriage with Publicis.

"Over the years, relationships with the French seem weak in Asia Pacific, or True to be fraught with problems," Ms Tilbian said. "I think there's not much

Indeed, Cordiant and True the French agencies can do - they've just got to keep exchanged financial informa- going the Gallic way." she

big shareholders. Phillips & advertising - a conflict too agency group. Martin Sor- agencies. And few expect appears to have come of

MacManus Headquarters: New York

Main agency: D'Arcy Masius Benton & Bowles

Gross income: 5842m

A P&G agency, so perceived as prisolidation candidate. Privately

owned and under-resourced. Said to

be talking to Interpublic: both

companies decline to comment.

Headquarters: London

Main agency: Bates Worldwide

Gross income: \$597m

Under-represented in the US and

perceived as too small to go on

alone. Attractive for its Asian and

European strengths. Believed to have

talked to True North.

Cordinat Com

counting on the support of the pension funds and on holders of American Depositary Receipts, which account for 19 per cent of the equity, to reach the 75 per cent majority needed to alter Enersis's constitution.

65 per cent.

Endesa has been cam paigning to convince ADR investors, which were poorly represented at last month's shareholders' meeting, of the merits of its proposal to use Enersis as its base for investments throughout Latin America.

Analysts say a win today for Endesa is likely to force a shake-up of the Enersis board and result in the resignation of José Antonio Guzmán, company president, who opposes a takeover by the Spanish group.

Stockbrokers in Santiago, meanwhile, say the Spanish group will then launch a counter-bid for control of Endesa Chile, the country's largest electricity generator. against a \$2.1bn offer for a 51 per cent stake by Duke

odak warns ow progress in arnings revival

Peregrine creditors to receive dividend payments

sized agencies need to be

bigger to be truly global.

By Rahul Jacob in Hong Kong

Creditors of Peregrine Investments Holdings, the Income Limited and Perecollapsed in January 1998, and its two subsidiaries will June. receive their first dividend

PwC, which is in charge of on the dollar. Peregrine's complicated liq-

some creditors of the two subsidiaries, Peregrine Fixed would receive payments in

The interim dividend for payments later this year of the parent company would between 3 and 10 cents on be paid a few months later and will be at least 3 cents PwC said that gross asset

the derivatives subsidiary Asian investment bank that grine Derivatives Limited, and parent company, the charge of the liquidation pro-HK\$479m (US\$61.8m) and counterparties on a swap HK\$627m respectively.

Complex legal issues relat-Association agreement must

corresponding figures were cess, said it was likely the lower, amounting to firm would take one of the

court to establish a prece-International Swap Dealers' other similar transactions.

uidation process, said that realisations and income for be resolved before further includes the claim by some has a knock-on effect. All the ahead with an inquiry into the fixed income subsidiary progress can be made debtors on transactions with David Hague, partner in sure to Peregrine must be resolved," he said. reduced because their credit

status was impaired.

The case is expected to be other similar transactions. book-keeping relating to ment has recently mission Against Corruption)

The uncharted territory numerous transactions. "It announced that it will go or the police," be said.

ISDA-related claims are up the bank's collapse. amounted to US\$400m. For towards repaying creditors. Peregrine that their expo- in the air till the issue is

> uary 1998 because of huge loans to an Indonesian taxi

Mr Hague said that his

firm was focused on recover-Peregrine collapsed in Jan- ing money for the creditors and had not sought to apporheard in London and could and bus company called lapse. Nothing has come to contract with Peregrine to be concluded in three Steady Safe. Peregrine's our attention that warrants months. Mr Hague said the headquarters was in Hong a call to the ICAC (Hong ing to provisions of the dent that would apply to decision would affect the Kong and the local govern- Kong's Independent Com-

Should basic rights apply to securities too? Since January all our shares are equal. In reinsurance and in investments we make no fundamental distinction between countries and nationalities. Because we are at home everywhere around the globe. From over 60 cities we service more than 5,000 insurance companies. And specialists from all over the world work at our head office in Munich. In making the transition to a single and transparent presence on the international capital market, swapping bearer shares for registered shares is a natural step.

The Munich Re registered share. The security. Exchange your bearer shares for registered shares between February 17 and April 1, 1999.

)ana and GKI lan alliance



Banking groups throughout Asia have been hit by bad loans, but health of mainland entities Hong Kong is riding out the storm, writes Rahul Jacob

above Hong Kong's still turn a profit, bustling business dis Though the recent Authority, the territory's de facto central bank, is not

Hong Kong's economy may be in its deepest recession in decades, a property bubble has burst and reports of defaults on foreign loans by enterprises in mainland China surface almost territory's banks to manage just fine.

"I wouldn't be surprised if one or two banks report a On equity loss, but the banks have prepared extremely well," he

Why is Mr Yam so sanguine when banking systems elsewhere in Asia are buckling under a spiralling load of had loans? The answer lies in the comfortable capital adequacy ratios of Hong Kong's banks, which are land entities, got the reportmore than twice the 8 per cent required by the Bank of International Settlements.

bank rating agency, estimates that Hong Kong's Bank, the Hong Kong subsidbanks could write off 4 per

itting in his eyrie high cent of lending a year and than a quarter to HK\$6.79hn.

Though the recent report- are really more an earnings trict, Joseph Yam, head of ing season in Hong Kong has issue than a balance sheet the Hong Kong Monetary been characterised by hefty issue. In the midst of the provisions for bad loans. financial crisis, Hang Seng resulting in steep falls in Bank is still achieving a 14 worried about the health of profits, nearly all banks are per cent return on equity, still in the black. Hongkong says Roy Ramos, banking Bank, the Asian arm of analyst at Goldman Sachs. HSBC Holdings, for instance,

"In Hong Kong, [bad debts]

Nevertheless, the need to increased provisions for bad make more provisions for

'In the midst of the financial weekly, but he expects the crisis, Hang Seng Bank is still achieving a 14 per cent return

and doubtful debts almost three times from HK\$4.55bn to HK\$12.53bn (US\$1.6bn) in 1998, but still made net profits of

HK\$10.78bn. Bank of East Asia, which has large exposures to maining season rolling last month by declaring that it had increased provisions 415 Thomson BankWatch, a per cent but it too made a profit. Profits at Hang Seng iary of HSBC, fell by more

more bad loans coupled with anaemic loan demand at home will weigh on local banks well into 1999, say most analysts. Ever since the spectacular collapse of Guangdong International Trust & Investment. Corp (Gitic) in October, Itic has become another oft-used banking acronym that spells trouble in Hong Kong.

"You can't take one Gitic for all Itics," says David Li. Bank of East Asia chairman. However, the financial

has deteriorated since the end of 1998, which is not reflected in last year's results. Keith Irving, analyst at Merrill Lynch, says current provisioning levels of local banks would be adequate only if non-performing loans had peaked.

With more bad news still to come, current bad debt allowances provide just 31 per cent coverage of projected peak non-performing loans. Mr Irving forecasts that non-performing loans in Hong Kong will rise from 4 per cent of total advances to 7 per cent in 1999.

Another drag on earnings is that there are too few Hong Kong companies and consumers queueing up for loans. After adjusting for inflation, Hong Kong has among the highest interest rates in Asia. Against a backdrop of the 5 per cent contraction in the economy last year, high interest rates are proving a deterrent to all but the bluest of blue chips.

"Across the board, demand for credit has been severely reduced. In Hong Kong we are placing money in the interbank market, which has never been a fruitful occupasays David Eldon. tion." chairman of Hongkong Loans overtime for more than three months and reselveduted loans % of total loans

When the going gets ing loans for a year. tough, however, healthy big banks get more acquisitive. Rana Talwar, chief executive of Standard Chartered, predicts further consolidation among smaller local banks in Hong Kong and more opportunities for the large banks in Hong Kong and

elsewhere in Asia.

overnments in places Such as Korea are low-ering the barriers to entry as they begin rebuilding their banking sectors, while large local hanks are still in intensive care - making it easier for banks such as HSBC to move in on favourable terms.

HSBC recently bought SeoulBank, one of Korea's largest banks, and has the option to put back existing and additional non-perform-

More ambitious forays abroad are an attractive way for Hong Kong's large banks to diversify further their earnings stream, as plump margins in Hong Kong become less of a sure bet. The government is committed to loosening further the cartel-like control deposit rates that local banks enjoy.

Mr Eldon says a projected 20 per cent drop in net interest income when such deregulation eventually takes place would be "a worst-case scenario".

Competition in the local mortgage market, meanwhile, is getting fiercer by the day. None of this ought to worry Mr Yam unduly, but it does mean that Hong Kong's banks will have to work a little harder for their INDONESIA FIRST FOREIGN TAKEOVER

GE Capital to buy 90% stake in Bank Bali

By Sander Thoenes in Jakarta

GE Capital Services, the finance arm of General Electric, the US conglomerate, is finalising the purchase of 90 per cent of Bank Ball, one of Indonesia's largest banks, according to bankers. The deal would be the first takeover of an Indonesian bank by a foreign group.

Subario Joyosumarto. director at the Indonesian central bank, which would need to approve the deal, has named GE Capital Services as the foreign investor for Bank Bali and said details would be released next month.

Neither GE nor Bank Bali would comment, but Bali directors have said repeatedly that they expect to sell 90 per cent of their shares to a strategic investor.

The deal could be worth more than Rp1,400bn (\$157m), which would make it one of the largest purchases in Indonesia by an overseas group since the Asian crisis erupted in 1997.

GE has been expanding aggressively in Asia. Last year it took over \$1.1bn in loans from liquidated Thai finance companies, while in January it bought the equipment and auto leasing

for about Y800bn (\$6.6bn), in the largest foreign purchase in Japan to date.

Bank Bali, which is 29.3 per cent owned by the Ramli family which founded it in the 1950s, is considered one of Indonesia's strongest banks. However, it has been hit by the country's banking crisis. It reported a capital adequacy ratio of minus 9 per cent last December and appealed for a government bail-out.

As part of a bail-out of nine private banks, the government earlier this month agreed to lend up to 80 per cent of the Rp1,800bn that Bank Bali needs to reach a required capital adequacy ratio of 4 per cent. Bali's shareholders and the new investor would need to put up the remainder, but local newspapers quoted Bali executives as suggesting that the new investor could

put up the full Rp1,800bn. Indonesia had previously banned foreign majority purchase of local financial institutions and limited the number of branches for overseas banks, but the collapse of the banking sector led to a change in banking laws. However, the laws remain vague and some foreign banks have balked at bailing operations of Japan Leasing out existing joint ventures.

BTM considers foreign link to boost securities

By Gillian Tett in Tokyo

Bank of Tokyo Mitsubishi, Japan's largest hank, is considering an alliance with a foreign partner to boost its overseas securities business, according to

Satoru Kishi, BTM president. Mr Kishi stressed BTM did not have any partner in mind yet, though it had held discussions with western financial groups.

BTM would be flexible over the format of any possible collaboration. "So far we have not found a workable alliance which meets our requirements. For example we would like to have a majority stake in our domestic operations. However in overseas operations we would consider other ideas,"

Mr Kishi's comments mark stance. Although other Japanese banks forged alliances with western partners in the last year, BTM has so far made only limited productbelieved it was strong enough by itself to become a full-fledged international universal bank.

However, BTM is seeking to bolster its securities operations. Its strategy in this area suffered a blow last year when its traditional ally. Nikko Securities, concluded an alliance with Travelers, the US financial group which later merged with Citicorp.

BTM is currently unable to link with other Japanese large brokers, since Daiwa Securities is linking with Sumitomo Bank, and cal 1998 year.

Nomura Securities is in discussions with Industrial Bank of Japan. Although BTM is expanding the operations of its securities subsidiaries, these lag behind western banks.

Mr Kishi stressed that BTM had no intention of sharply reducing overseas operations, in contrast to most other Japanese banks. It also has no plans to apply for public money to boost its

However, in a remark the may disappoint potential overseas investors, Mr Kishi said he did not expect that BTM would take measures to boost its return on equity even though this has traditionally been only half the US banks.

"We have to raise our return on equity for shareholders, but the the bank a subtle shift in BTM's has a public mission - it is not true that the higher the ROE, the better the bank, he said. "A drastic restructuring would boost the ROE but it will have a deflationbased alliances, because it ary effect and aggravate unemployment, and so the goal of just boosting the ROE will not occur."

BTM hoped to focus on fee based business, but any reduction in its assets would occur only "gradually". Mr Kishi said. Japanese banks. were "moving in the direction" of raising lending margins to boost profits, but be warned this would not occur rapidly.

The bank said it would provide Y100bn (\$832.7m) worth of financial support to three of its finance affiliates in the second half of the fis-

New World to list China property arm

infrastructure developer, vesterday said it would seek reports from Hong Kong,

"We are pushing for a listing this year." said Henry Cheng, managing director, though he declined to give details on the assets to be spun off. New World Development

utable profit of HK\$633.4m (US\$81.7m) for the six months ended December 1998, a 71.2 per cent decline from the year-earlier period. The company has large residential and commercial property development projects in 11 cities in China and hotels and department store projects in several oth.

World posted sharp

New World Development, earnings declines in four of the Hong Kong property and its six main operating divisions. Operating profit from property sales fell to a separate listing for its HK\$503.1m, down 70.6 per China property division in cent from a year earlier and 1999 after disappointing rental income from investinterim results, Reuters ment properties fell 11.2 per cent to HK\$578.6m. The hotel division was hit hard by the downturn in tourism in Hong Kong, with operating

months to December 1997. However, the worst results earlier announced an attrib- came from the telecommunications division, which posted a loss of HK\$374.7m in the six-month period

profit falling to HK\$9.6m

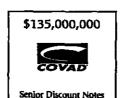
from HK\$85.6m in the six

The division reported a loss of HK\$317.5m a year ago. The loss was due to tougher competition in the mobile telephone market and sharp price cuts, said Peter Tsang, managing director of New World Tele-

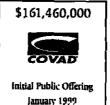
BEAR STEARNS

ON LINE.

WE GOT INVESTORS TO LINE UP FOR COVAD.



March 1998





February 1999

The market was volatile. The industry was new. The company was small. Covad, a promising Internet company, was looking for a financial partner who would commit to doing a large high-yield bond deal for them.

While others saw question marks, we saw opportunity. In fact, we had so much confidence in Covad's services, we became a customer. And we turned that confidence into performance by ultimately upsizing their high-yield offering to \$135 million.

We did it by understanding Covad's business inside and out. We did it by overcoming obstacles and finding a way to deliver superior high-yield execution. Covad then learned about our distribution and research strength in equities and named us lead manager for their subsequent IPO. They continued to reward our performance with yet another debt deal. That brought our total capital raised for the start-up to \$511 million in less than 12 months.

This is not an isolated instance. It's the kind of client service, innovation and performance we deliver every day.

75 YEARS of CLIENT SERVICE, INNOVATION & PERFORMANCE.

BTM consider

foreign link

boost securiti

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Section 18

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THE FILES

COMPANIES & FINANCE: UK

FINANCIAL DEAL WILL ENABLE PARTNERS TO PROFIT FROM INCREASINGLY RAPID CHANGES

FTSE classification commit- sector in the cyclical group.

tee, the aim is to group One analyst says: "You

that are significantly past three years in a small

By Edward Luce, Capital Markets Editor

The Liffe derivatives exchange and London's largest financial clearing house yesterday unveiled a joint venture to provide trading and clearing services to the

Senior officials said the move - through an agreement between the London International Financial Futures and Options Exchange and the London Clearing House - would enable them to profit from the increasingly rapid changes taking place in the

All change

or one consumer sector

-analyst at least. April 1

which to make changes to

the FTSE sector indices.

"The whole thing is a joke."

he says, although the bitter-

ness in his voice suggests he

does not think it a funny

Others praise the FTSE

attempt to rejig the sectors

into which the UK stock

market's constituent compa-

nies are corralled. It has

been welcomed by fund man-

agers, eager to compare

The reshuffle into similar

other markets is intended to

But one cause for concern

is the division of the con-

sumer and services groups

into cyclical and non-cyclical

subsections. One senior

investment manager says:

"It is a bizarre split. I do not

think it particularly helpful

for the FTSE committee to

determine whether some-

"Cyclical" can be a pejora-

tive term in the investment

dictionary. Applying it to a

company implies it has vola-

tile earnings and deserves a

likely to annoy some compa- about others.

thing is cyclical."

nies thus classified.

stocks across frontiers.

grant them their wish.

classification committee's epithet cyclical has been

categories to those applied to panies are slaves to their

low rating. The label is and analysts have doubts

According to Graham pubs and breweries will not tile.

is an appropriate date on

for the FTSE

financial markets. These founding board of directors, were being driven by new aims to combine Liffe's elecwere being driven by new technology, said Brian Williamson, chairman of Liffe.

The joint venture, which will include Sir Brian Pitman, chairman of Lloyds TSB. und Alastair Clark, executive director of the nect, which will include all

Officials said the company, which will be named next month, is expected to launch operations in markets which currently lack consistent wants to be able to clear its trading or clearing services. The implication was that this could extend to international bond markets or even to Europe's emerging conti-

> Liffe says that its new trading system, Liffe Con-

cally, market users could use Connect to trade both bonds and the derivatives contracts

Officials at Liffe hope the

contracts by July, is ning to launch a system to designed to be flexible and to clear repos (securities repurenable trading in unrelated chase agreements) in competition with the French clear Francaises, the French stock exchange, Matif, its derivatives exchange, and the

Some continental officials have pointed to London's fragmentation as a weakness. But Mr Williamson said there was little point in Liffe merging with the LCH compromise each other's independence of action when you can achieve what you can together through a joint

COMMENT

ICI

mperial Chemical Industries' finance director will be gasping for the £2bn (\$3.26bn) ICI Share pince resulted first All-Share index could get from selling unwanted assets. Of course, the net proceeds in ICI's bungry hands may look different if there are one-off charges for environmental costs. But the impact on ICI's overstretched balance sheet should be straightforward and certainly welcome. Quite what it would mean for ICI's profits is harder to nin down. If ICI manages to

chemical assets, it would be ridding itself of 1999 losses of

anywhere between £60m and £100m. But this assumes optimistically - that Huntsman and other buyers are pre-

1997

pared to take on all of ICI's trouble spots. To sweeten the pill, ICI may throw part or all of its materials business - basically acrylics and polyurethanes into the auction pot. This division makes decent profits despite its cyclicality, but is looking increasingly out of place in the "new improved" ICI, focused on speciality chemicals. Shedding all of materials could mean foregoing estimated profits of £90m-£110m. Until it is clear what mix of businesses ICI is selling, it is impossible to determine how earnings will be improved from the reduction in the interest charge. Estimates range from a 20 per cent enhancement to 40 per cent. Investors should not get carried away. At 561p, the share price already assumes a fair bit of good news, and little risk of another ICI-style disappointment.

Liverpool Football Club

More than any other Premiership club, family-controlled Liverpool has felt the pain of Manchester United's success. With financial advisers now appointed to mull over its options, the Moores family may choose to share that pain with the public. Sporadic trading in Liverpool's unlisted minority shares value the club at around £150m. But the extra liquidity of a large free float would lift the trophy club's value. Applying Man Utd's pre-bid sales multiple to Liverpool's 1997/8 turnover of £39m could see a trading value for Liverpool of nearer £200m. Selling a strategic stake to a media partner, assuming British Sky Broadcasting's bid for Man Utd gets competition clearance, could see it more highly valued still. But without Man Utd's marketing skill and success on the pitch, especially in Europe, it would hardly warrant a premium to the red devils.

EU set to approve BT-AT&T venture

The European Commission is today expected to clear the proposed joint venture between British Telecommunications and AT&T of the US after the two made a number of concessions.

lifted after AT&T g cable and telecoms operator dropped.

would operate independently of BT. TeleCommunications inc, the US cable group which AT&T is in the process of acquiring, holds 21.6 per cent of Telewest.

Prompted by concerns about the scope for "co-ordi-The main objections to the nation" between BT, AT&T's deal. which will create a UK subsidiary, and Telewest, global carrier with forecast, the Commission had opened initial revenues of \$10bn, are a full antitrust inquiry. It is understood to have been also understood that Com-

Liffe sets up cash markets joint venture

mainstream cash markets.

"The market is asking for two things," said Mr Williamson. "It wants consistent trading technology across different markets and across national boundaries and it multiple trading positions on one book with the least possible risk."

Rejigging the indices may label some companies in a way that

together those companies

affected by economic cycles

and separate them from

clical sector; every sector is

related to the economy as a

whole," concedes Mr Col-

bourne. But he says the new

labels will identify those

businesses that are more

susceptible to the economic

applied only to consumer

and services businesses.

Many other industries are

cyclical: basic industries

such as chemicals, paper,

construction and steel are

notoriously volatile, while

insurance and property com-

But these, Mr Colbourne

suggests, have their own

cycles, which may or may

not move with the economy.

"Every company has a

cycle." he says. The commit-

tee has "identified sectors

most aligned to the economic

involve the division of sectors between the

cyclical and non-cyclical

groups. While some sectors

appear to have been pigeon-

holed correctly, investors

investors in restaurants,

ore detailed criticisms

One criticism is that the

"There is no true non-cy-

implies volatility and deters investors. Maggie Urry reports

those that are not,

tronic trading technology with LCH's experience in clearing.

nental stock market.

would have had to spend the

round hut in outer Mongolia

not to have noticed it is

cyclical. That is why it is on

hand, has been put in the

non-cyclical consumer goods

group. Some feel it should

cyclical," says a packaging analyst. "It is completely

tied to the cycle." Packaging

such as corrugated boxes

used to protect goods in

transit is affected by the

level of business being done,

while packaging for display

in shops is arguably a cycli-

cal business, since general

retailers have been put

on that side of the

Mr Colbourne disagrees.

Much packaging is used in

the food, drinks and pharmaceuticals industries, all of

which the committee have

identified as non-cyclical sec-

The food sector's classifi-

the state of the economy.

But David Lang, analyst at

says: "Most UK food compa-

Particularly prone to

nies are cyclical."

DITICES

tors, he says,

"Packaging is 100 per cent

not have been.

Packaging, on the other

based on them from a single

The LCH, which also

clears trades on the International Petroleum Exchange. Metals Exchange, last week received regulatory approval in the US to launch a clearing system for the global interest rate swaps market, known as SwapClear. The Bank of England, on its of the exchange's leading clearing house is also plan-tives exchanges and its

ing house and Euroclear, a clearing and settlement house based in Brussels.

joint venture could provide the exchange with a competitive edge over Eurex, the Frankfurt-based exchange which last year overtook Liffe as the largest deriva-tives market in Europe. or any other body. "Why Unlike London, where the exchanges are scattered among different owners, Frankfurt's stock and deriva-

Cycles cause commotion in consumer and services sector Cyclical services Leisure, Enterlainment & Hotels Restaurants, Profis & Brewer Non-cyclical services

the cyclical camp, says one analyst, "is absolute tosh". cation is contentious. Mr Although most companies be Colbourne argues that covers are providing services people must eat, whatever to other companies and might be thought cyclical, there is a trend towards out-Henderson Crosthwaite, sourcing that has enabled companies to grow through

the economic cycle. There is also a debate cycles are those nearest the among general retailers, who agricultural end of the food have been classed as cyclichain, where pig or poultry cal, and food and drug retailers, who are re non-cyclical

dence that it is cyclical."

group that owns the Wool-

worths, Superdrug, Comet

and B&Q chains, argues that

profits from Woolworths and

Only Comet, the electrical goods chain, is tied to the companies. economy. Even so, he says: "It's not something we are pretty good at deciding that Telewest, the UK-based loop unbundling have been Colbourne, secretary to the be surprised to find that Putting support services in Michael Hingston, corpogetting in a froth about. We where things should go."

rate communications direc- accept their verdict and we tor at Kingfisher, the retail will see how it goes."

Non-cyclical consumer goods

Food Producers & Processors

Mr Hingston believes most investors know the business well enough not to be influenced by classific-Superdrug are "quite sta- ation.

An analyst says: "You can "Do-it-yourself has had its have a good business in a ups and downs," he says, but bad sector and vice versa." adds: "There is no real evi- Investors are sufficiently sophisticated to look beyond classifications when valuing

He says: "The market is

ICI confirms Huntsman talks ther comment until they including debt, and a deal By Virginia Marsh in London with Huntsman could be DuPont and NL Industries, and William Lewis in New York were concluded.

Imperial Chemical Industries may be considering selling its acrylics operations, previously identified as a core area, as one of several deals it is negotiating.

Shares in ICI rose more than 6 per cent to 561p yesterday after the UK chemicals group confirmed it had been in talks with Huntsman, the large US private

ICI said it had been in discussions with several companies, including the Utahbased group, and that the and Pakistan. talks were continuing. It said it would make no fur- worth as much as \$3bn, parts of the ICI operations.

RESULTS

However, ICI, which is moving out of bulk chemicals to focus on speciality close to announcing a deal with Huntsman on some of the industrial chemicals to sell for nearly two years.

includes tioxide, huge petro-chemical and chlorine com-Analysts we plexes on Teesside and in surprised it might be inter-England, as well as busi- tioxide - used to whiten nesses in several emerging paints - not least because

The planned sales may be to be interested in acquiring

announced as early as Wednesday.
The US group is believed

year but to have been rebuffed, partly because it was unclear whether BP. businesses it has been trying ICI's partner in an ethylene cracker on Teesside, wanted The lossmaking division to buy out the chemical

Analysts were, however, Runcorn in north-west ested in diversifying into countries including India they say market leaders such as DuPont still appear

EPS 64

Content Date of payment (p) payment

Apr 30

Apr 30

ICI's original deals with also of the US, were blocked by US regulators last year. products, is believed to be to have approached ICI last sales of more than \$4bn, has

Huntsman, which has made a name by buying commodity chemical assets at the bottom of the cycle. The Huntsman family is also known for its donations to charity.

Acrylics is the smaller part of ICI's materials division, which also includes polyurethanes. The group has previously identified the division as core although it has suggested it is less important than speciality products and coatings, its two other main businesses.

5 0.05

16.25 14.5大

Total Tast

GROUPE

Sharp increase announced in 1998 results

Sharp increase in net Rise in turnover:

+ 69 %

+ 7.2 %

FF 4.5 bn at year-end 1997.

by € 58.24 m (FF 382 m).

but including a provision of around FF 300 m for

pension commitments, in accordance with IASC

regulations. The contingency and loss provision was

increased to € 0,86 bn (FF 5.6 bn), compared with

Accounting principles. The Group has decided to

change its accounting principles for the posting of

pension and leasing commitments, in accordance with

IASC standards. An amount of € 44.97 m (FF 295 m) was appropriated from the opening shareholders

€-2.9 m (FF-19 m). Restatement of leasing increased

financial liabilities by € 49.7 m (FF 326 m) and assets

The Group started 1999 with a satisfactory order book

and is expected to achieve a further increase in profits.

The Board of Directors will propose that the Annual

General Meeting held on 2nd June 1999, distribute a

dividend of 1.50 Euro (9.83 French francs) per share,

Jean-Louis Brault, Francis Gutmann, Jérôme Monod

an increase of 16% over the previous year.

It will submit to the Annual General Meeting

the renewal of the terms of office of Messrs

equity, and the impact on the 1998 result was

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A meeting of the Board of Directors of GROUPE GTM SA (Suez Lyonnaise des Eaux Group), chaired by Jean-Louis Brault, was held to close the company's accounts for the financial year ended 31 December 1998 which will be submitted to the Annual General Meeting for approval on 2nd June 1999.

 Activity. The Groupe GTM's economic turnover rose to € 7.38 bn (FF 48.4 bn), an increase of 7.2% over 1997 and up 4.3% with the same consolidation structure. The contribution of building and civil engineering works to the total activity fell from 41% to 35%, whereas foreign business rose from 42% to 44%. The order book amounted to € 5 bn (FF 32.5 bn) as of 1st January 1999, up 6% from 1st January 1998. The highest increases were achieved in offshore construction (+76.3%) and roads (+20.4%).

Particular features of year 1998:

■ Expansion of concession activities, in particular with a joint concession for 9 airports in Mexico and new car-parking concessions in Saint-Etienne and in England.

■ Continued growth in road construction for JEAN LEFEBVRE, both in France and abroad - turnover up 12% - and consolidation of its presence in the USA with the acquisition of BLYTHE, a company with a turnover of around \$ 100 m. ■ ETPM consolidated its deep-sea construction

activities with the acquisition of MSCL upon termination of the partnership with McDermott and through major subsea contracts for the Girassol field

 Results. The Group has announced a pre-tax profit before exceptional items for the year of € 108 m (FF 709 m), up 41% from € 77 m (FF 502 m) in 1997, an increase mainly due to road and offshore activities. as well as the building and civil engineering works and real estate sectors.

The year's net consolidated result was € 65.4 m (FF 429 m), a significant increase of 69% over 1997.

Cash flow reached € 0.33 bn (FF 2.16 bn), compared with € 0.31 bn (FF 2.04 bn) in 1997. Financial elements. Consolidated

shareholders' equity was € 0.73 bn (FF 4.8 bn). identical to the figure for the previous year,

and MOBIL OIL FRANCAISE as Members of the Board which expire at this Assembly. It will also propose the appointment of Mr. Pierre Delaporte as Board Auditor.

	1:	998		997
tia mi tings	ŧĒ	FF	€	FF
Economic turnover	7,376		6,883	45.15
Order book as of 31.12	4,964	1 02 GC (***)	4,686	z 30/241=
Accounting figures		12.5		-62
Turnover	6,882	1	6,631	137198
Pre-tax earnings	÷108		-77	+502
Net Result (Group share)	∸ 65	4.50	±39	
Cash flow	÷329		÷311,	

SHAREHOLDER SERVICE DEPARTMENT: Financial Department: 33 1 46 95 71 86. Internet: hhtp://www.groupegtm.com

New World to China properti Attributable Earnings (Em) EPS (p) MAY (p) CU Emvironmental _______ Yr to Dec 31 142.3 (141.8) 0.136 (0.096) 0.78 (0.55) hrvesco Japan Disc. ____ 6 mins to Jan 31 45.64 (36.97 •) 0.064L (0.031L) 0.23L (0.11L) Profile Income ____ 6 mins to Jan 31 159.77 (158.62) 1.05 (1.06) 2.01 (2.03) 0.5 Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period, t'On increased capital.

After exceptional charge.

After exceptional charg 1.84

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28th April, 1999. Agent Bankand Principal Paying Agent ROYAL BANK OF CANADA

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For the period from March 30, 1999 to September 30, 1994, the Notes will carry an interest rate of 15025% per mamma with an interest, amount of 17825.22 per 1983, 1000 Note and of 17825.23 per 1983, 1000 Note and of 17825.25 per 1983, 1000 Note and of 17825.25 per 1983, 1000 Note. in passessor per consumer rane. The relevant interest payment data will be September 30, 1999. for and on behalf of Credit Sulms Financial Products as Agres Banks

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NO 991212 OF 1999

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RESIDENTIAL HOMES Cambridgeshire County Council is seeking expressions of interest for the proposed sale as going concerns of 15 residential care homes for older people, a number of homes will continue to provide day care. Homes will be sold individually or in lots.

The homes are situated throughout the county of Cambridgeshire and currently provide a total of 552 hed spaces. The homes are to be sold through a two stage tendering process. At the

first stage interested parties must register their interest by completing a pre-qualification questionnaire. Suitably qualified applicants will then be shortlisted and formally invited to tender The successful tenderers will enter into a care contract with the County Council to provide residential and day care services. The

Council will agree to purchase by way of a block contract a percentage of beds and day care services. Interested parties should note that the provision of the Transfer of Undertaking (Protection of Employment) Regulations 1981 (as

luterested parties are requested to register their interest in writing by 15th June 1999.

A free brochure is available from the address specified below. An information pack, including the pre-qualification question also available from the address below at a cost of £75.

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- and maintenance together with building specific facilities management services. The transaction will be conducted under

the provision of capital investment

the UK Government's Private Finance Initiative. Respondents must demonstrate their financial resources and their technical experience and capacity to provide the required services in a transaction of this size and complexity. A briefing day will be held in London on 30th April 1999.

For further information, including a copy of the recent notice in OJEC, a briefing document and a questionnaire (to be completed and returned by 1st June 1999), please telephone Simon Barnicott on 0115 974 0770 or fax on 0115 974 0790.





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FTSE Eurobioc 100

Mergers help buoy European markets

EUROPEAN OVERVIEW By Vincent Boland

More mergers and Yugoslavia could become a acquisitions activity pushed prolonged war.
European stock markets Investors

III. THREE MONTH EURIBOR FUTURES (LIFFE) (1m 100 - rate

THREE MONTH EURO LIBOR FUTURES (LIFFE) (1m 100-rate

THREE MONTH EURO LIBOR OPTIONS (LIFFE) (1m 100-rate

Est. vol. total, Calls 0 Pois, 0. Previous day's open let., Calls 162498 Puls 35670 IIII FTSE EUROTOP 100, INDEX FUTURES (LIFFE) 620 per toll index point

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Sett price Change

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LOW

Est. vol. Open int.

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pharmaceuticals and tele- this week's meeting of the communications stocks US Federal Reserve's policygrabbing the spotlight in active trading across the setting open market committee would signal a change in the Fed's stance on interest The gains came despite- rates.

further weakness in the euro, which analysts said

was vulnerable to the danger

that the escalating crisis in per cent.
Yugoslavia could become a The FTSE Eurotop 300

acquisitions activity pushed European stock markets higher yesterday, with oil, waiting for any signs that prolonged war. Investors also were shares rose 19.11 to 1,256.77 thick of bedding down the waiting for any signs that index rose 54.99 to 2,912.21, and Amoco. The FTSE Ebloc index of gained 15.29 to 1.024.83. higher at €16.24 following sector gained 3.6 per cent.

Mining Cli & Ges

Aerospace & Defence Diversified industrials Sectronic & Sect Equip Engineering & Machinery

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warmly despite the fact that Dutch rose €1.60 to €50.

Other oil stocks, already shares in euro zone markets rising on the back of stronained 15.29 to 1,024.83. ger oil prices, were boosted BP Amoco closed 60 cents by the development and the

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(Euro) €

But merger news set the confirmation that it was in tone and helped the markets talks to acquire Atlantic €131, PetroFina was up €16 to gains of between 1.5 and 2 Richfield of the US. Investors greeted the news to close at €5.84, and Royal Pharmaceuticals surged after the revelation that

> prowl again after its tentative talks with Bristol Myers Squibb of the US ended. SmithKline Beecham, with whom Glaxo has attempted

previously to merge, added 50 cents to €12.91. Telecoms were helped by some end-of-quarter buying and by continuing developments surrounding the Telecom Italia/Olivetti bid battle.

The two protagonists were unchanged but Telecom Italia Mobile gained 40 cents to 66.16 after the weekend announcement that Telecom Italia would pay cash to buy out minority shareholders, rather than swap shares. Telecoms were helped by

rather than swap shares.

EURO SPOT FORWARD AGAINST THE EURO 38.3230 38.7331 7.4280 7.4351 321.927 327.9705 252.500 257.1508 8.3400 8.3727 4.2626 15996.00 8.3727 4.2374 8.9398 1.5918 1.5914 0.6697 0.5634 38.5871 +0.0499 522 - 120 7 4325 +0.0003 290 - 361 325,947 +1.2300 661 - 233 254,400 +1.3740 122 - 606 8,3445 -0.0310 405 - 490 4,2225 +0.00370 774 - 876 16038.00 +124.7900 750 - 850 26.9533 -1.7101 411 - 655 44.973 +0.095 293 - 429 1,5338 -0.005 618 - 624 -4.5 38.9985 -8.4 7.4399 -7.4 331.7492 -13.0 262.4297 Glaxo Wellcome, which rose €1.20 to €29.88, was on the 1,0716 -0.0014 714 - 718 1,8889 -0.0083 858 - 919 1,8208 -0.0038 199 - 216 10,2363 -0.0540 285 - 420 1,0717 -0.0017 715 - 719 1,0682 1,8855 1,6167 10,1649 1,0683 17044 1.8893 1.88934 -1.8 1.6896 -1.8 1.7236 -1.9

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8 year		4.22	5.32	5.36	2.91	2.99 3.16	5.92 5.96	5.95 5.99	1.75 1.90	1,78 1,93	E SUPPLIES	10/07	5.500	AAA	107.851	4.38	-0.01	-0.06	+0.56
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12 year		4.62	5.35	5.40	3.45	3.55	6.10	6.13	2.28	2.32	Eurofina	12/09	5.625	AAA	108.624	4.59	+0.00	-0.01	+0.52
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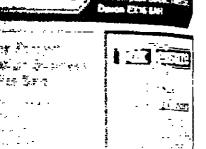


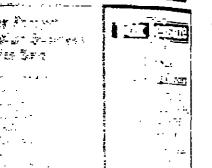


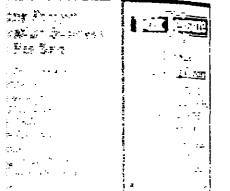


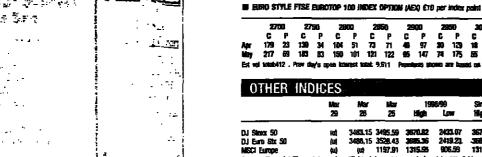


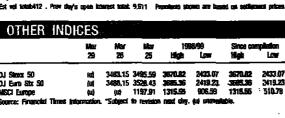






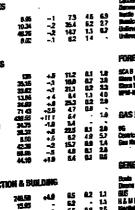


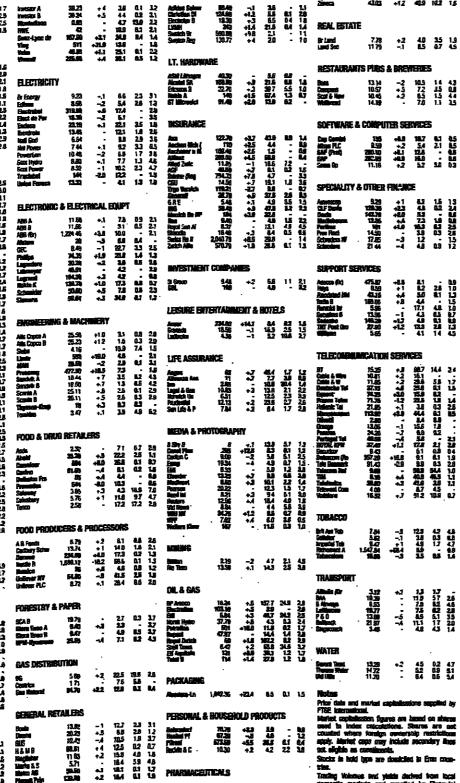




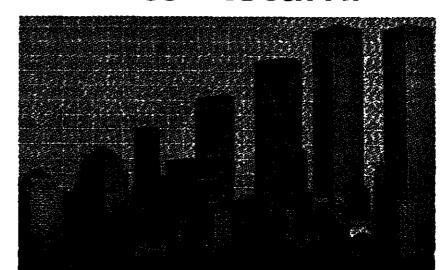
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	19000						Powertern	10.45	-2	6.8	17	38	facheter is fil. Allians	188.49 200.50
							Seat Hydro	8.80	•.1	7.7	1.3	46	Alled Zade	11.85
	RANKS						Scot Power	8.52	-1	10.2	23	47	ACE.	446
				_			Trackbel	144	-20	122 4.1	13	15	200 - 100g	794.33 14.54
	AND REPORT	19.20	+4	23.3	41	25	Updge Farasti	1111	-	4.1	14	14	CEU Emp Tacalca	74.30 T19.21
	Alber Hall	79.37	:	27.5	4.1 4.0	30 31							Store	22.70
	Agence & L	1291	-2	75 138	4.0	1.7				~			GRE	548
	خضا ليوكية	18.18 23.99	*4	128	e.	10	ELECTRONIC	برطاء و	HELIAL I				B6	94
	Alberton Committee	125.26	**	55	0.9	18	ABS A	11.55	+.1	72	D9	21	کر دار خواست مدا	19 <u>0</u>
	Alpho Desit Armistada	22.27	+.1	10.0	1.3	1.5	ABE &	11.66	•	31	ãã	21	Rossi San Ai	8.37
	Santa Care	7.55	+1	13.7	10.1	1.3	ABB (Br)	1,224 46	+3.8	10.0	-	21	Standa	16.46
	Rec Friedrick	5.25	+.1	48	1.1	1.7	Alichem	24	-5	6.0	84	•	Switz Ro P	2,040.79 570.79
	Banca Intern	5.37	+2	9.9	45	8.0	GET.	8.49	-1	22.7	33	25	Zadzh Alle	Strift
	Bases of Pers	1,47	-	7.5	24	12	Philips	74.35	+1.9	Z١	14	1.3		
	Canan Cilina	11.63	+2	283 128	45	12	Lagradore	30.24	-2	42	8.5	24 29	NESTLIEN	COMPANIE
	معتبط جعدة	11.55	+1	126 35	٠.	1.7	Library	46.91 164.38	+3	ü	:	4	بهجه احداد	
	Percel Copper	25.00 25.05	-3	끏	44	24	<u>أمديها</u> أحداد	100.70	+10	73	e i	2	3 Graco	辒
	Barrio Popelio	10.18	-5	22.4	15	15	Marin K C:Socider	50.60	45	7.8	ı	23	ERL.	168
	Basto de Spo Reals Atalida	56	+2	48	-	13	Secreta	58.64	43	343	ū	73		-
	Break of Irol	14.00		9.7	•	1.7	-					-		
	Back Scot	12.54	+.1	15.6	26	16							LESURE BIT	
		77.50	4.5	18.9	D.A	19	BASSEERING	& MAC	MERTY					236,00
	 .		. •	901	23	**								

Chara Make	-		===	22.8		acc.
Breeze of Breeze	1,47	-	7.5			Philips
Cases Billion	71.E3	+2	28.3	45		Lagrandore
اغتربكا وعسة	11.55	+3	128	33		Laborati
Remark Company	29.00	-2	35	-	1.7	أمدوعا
Baselo Popelio	92.15	-3	5.6	54	24	Relate &
Banco de Spo	12.18	+5	22.4	3.5	15	C-bookier
Bank Assista	56	-2	48	-	13	
	18.88	~	97		17	Signal III
Brank of Irol			15.6	26	16	
Back Scot	12.54	+.1	12.0	14	ü	
	77.50	4.5				BHSBEET
Reactions.	25.5	+2	39.1	23		
Bay Bypo Ver	医科	+3	21.5	8.5	1.4	Alle Cruce A
Constant of the last	7.5	•	12.7	83	22	Alle Copco B
CEF .	94.50	-	52	Œ٦		Sebs
CS Group (As	173.52	+63	48.3	12	18	200
22 Parent Lan	95.60	-34	5.1	0.1	25	المن يّل الأثير
Danute Bank	49.60	*2	25.4	02	2.3	No.
منهيسم		410	16.3	61	21	Problems
Develor Std	37.20	-1	75	ü	37	Sandell. A
Ferenings2pu	21.30		230	4		Sandriff B
Ferdin (FI)	31.0	*4	128	23	15	Scarnin A
(##)	34.80	+8			ñ	Septim 6
HSBC (75m)	357	+2	25.1	15		The state of the last
HSBC 66510	2913	+.5	52.9	1.9	31	Total Miles
Helle.	1170	-2	283	1,5	28	
CBC Beldings	65.45	-	184	9.3		
Licycle TSB	14.25	+5	77.5	9.5	25	
Toloriso	100		42	1.0	35	F000 & D
Maries Indicad Sec	65.40	-24	82	63	15	
100 mg	21.56	- 73	25.6	18	2.7	Asda.
Mark Wilesa	21.00	**	- EA	12	3.5	About .
Nerghankan H	5.30		9.6	ä	25	Carpaiour
الحصيلا ملط	71.00	**		10	23	Cardino
Red Bits Scot	19.50	+4	17.5	2.7	~	Calleton Pro
Speciatio-Mil	14.50	4.5	20.2	87	36	Promodes
S-E-Barleso A	11.94	•	62		22	Salament
San Cappain	167.10	-9	17.1	63		Salesbary
Stand Cartel	1341	1	14.1	1.4	25	Tesco
Se Handelsk	33.90	-6	فه	0.2	28	10241
	290.73	+27	223	D.E	22	
126 AS (Pegi	486	*1	24.2	12.7	12	
مكبرئ ليو	5.85	***	84	43	29	FOOD PRO
Vinaleich	2.50	-	37	-		
						A B Foods
						Cardbury Schw
BEVERAGES						Denove
Paris - 1 A					63	hasile fi
-	a //E	-1	73	4.5	•9	





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in London

Treasuries fall sharply as equities rally

BENCHMARK BONDS By John Labate in New York and Khozem Merchant

US Treasury prices plunged in early trading as equities railied ahead of the US Federal Reserve's Open Market ket was boosted by contin-Committee meeting today to discuss interest rates.

European markets were ness in the euro, war in emerging Europe and increasing speculation of an interest rate cut by the European Central Bank, when it meets next month.

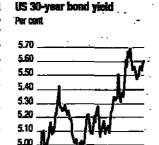
The 30-year US Treasury had lost % to 94 by midday, sending the yield up to 5.639 per cent, and the 10year note gave up ¼ to 96. yielding 5.242 per cent.

A series of factors weighed US 30-year bond yield on the market. "It's a combination of corporate supply and some hedging, strengthened stocks and resilience in oil prices," said Richard Gilhooly, at Paribas Capital Markets in New York.

The short-end of the marued flight to quality buying as a result of the Nato bombing of Kosovo. The two-year lower amid continuing weak- note was unchanged at 99%, yielding 4.991 per cent.

While few analysts expect

the Fed to move interest rates at today's meeting. there was growing unease about strength in a forthcoming batch of economic data. Later this week, fresh figures are expected from a manufacturing sector survey by the National Association of Purchasing Management



4.90

and on Friday a new monthly employment report. The conviction that the ECB may ease monetary policy was driven by a survey in France that showed a continued deterioration in busilysts say this may tip the balance in favour of a cut tic about output prospects. when the ECB meets on April 8. The June 99 euribor future is discounting a rate is a gradual belief in this,"

the market has been that a Reed at Barclays Capital sluggish German and Italian said that despite apparent economy would be insufficient to induce another easing in rates. But yesterday's striking evidence of weak business confidence in France, the euro-zone's other economic powerhouse, may now prove the catalyst.

The INSEE industrial survey showed a fall in manufacturing in March. The balance of companies reporting a rise in output in recent months was -3, down from -9 in February, well off the highs seen last year. With

I US DOLLARS

Fortis Finance MV(e) DePfa Bank(c,p)

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TE CANADIAN DOLLARS

III AUSTRALIAN DOLLARS

M STEPLING

E EUROS

Provident Bank HELT(a)‡ Banco Popolare di Veron

New international bond issues

ness confidence. Some ana- weak demand and destock- ment and rising equity prices. The question is, ing, firms are also pessimiswhich will crack first," said Keith Edmonds at IBJ Inter-"If France does slow then

the ECB will will cut. There national. Elsewhere, the June 10 year German bund settled cut of 15 to 20 basis points, said Graham McDevitt at To date, the assumption in Paribas. However, Phyllis weaker at 113.49, down 10 basis points on Friday's close. Japan was quiet ahead of the end of the year reportweakness in France, the ing season, while UK gilts ECB is ultimately likely to cut on the basis of the coneased marginally, after tinuing travails of the euro. regaining earlier losses.

The Bank of England's The short end of the European yield curve stayed firm. monetary policy committee meets early next month and encouraged by the fact that a further weakening of key the ECB can, and now is indices could resume the likely to, cut rates, and pattern of interest rate cuts despite another disastrous after the decision to hold Business is aware of a steady in March. Short sterling futures have seen gains decline in orders. But at the same time consumer demand of 35 basis points recently in the expectation of an easing is robust, based on expecta-

in monetary policy.

Fledgling EDR sector to get boost

euro depositary receipts (EDRs), which came into Europe's single currency, is about to get a boost.

The EDR market has seen little activity so far this year but bankers said vesterday they expected a number of companies from eastern Europe to launch limited EDR programmes, which do not include capital raising, in the next few weeks.

They will follow Borsodchem, Hungary's leading chemicals group, which last week launched a facility allowing investors to buy and trade shares in euros.

Gazprom and LUKoil, the big Russian energy groups, as well as companies from Poland, Turkey, Greece and Slovenia are expected to establish similar limited EDR facilities to achieve a wider spread of shareholders in mature markets. They are seen as prerequisites to launching full EDR programmes that would include raising new capital in euros. There are only two full EDR programmes, by Zagrebacka Banka, a Croatian

bank, and an Egyptian brewery. Observers said the scarcity of such issues so far is due to the impact of the Russian and Asian financial crises, which have made emerging markets a low priority for fund managers.

facility also allows investors dividends in euros. The facility is expected to improve secondary market trading in Borsodchem's shares by widening its shareholder base.

This [limited EDR facility] is an essential first The fledgling market for step, said Chris Kearns, vice-president at Bank of New York, which is arrangbeing with the birth of ing the facility for Borsodchem and other Hungarian companies. "The next step would be for these companies to launch full EDRs and that is certainly the indica-

KOSOVO

WON MONEY PLATES

Three other Hungarian companies are expected to launch limited EDR facilities another chemicals group.

depositary receipt programmes (GDRs) listed in London, which is seen as the deepest and most developed

stick with a proven entity."

mark their performance against euro-denominated

Borsodchem's EDR limited outside Hungary to receive ties denominated in euros formance against a dollar-denominated index.

tion we are getting."

in the next month. They are OTP, Hungary's largest bank, Zalerakamia, a ceramics company, and TVK. All the Hungarian issues will be listed on the London Stock Exchange. Several of the companies already have dollar-denominated global

market for emerging market depositary receipts. "London is emerging as the euro centre for emerging equity trading, and our issu-ers, which already have GDRs on London, prefer to

Mr Kearns said. Foreign investors can already buy the equity of Borsodchem either by purchasing its locally listed shares or the GDRs. But bankers say that, as more euro-zone investors bench-

indices, the ability to purchase emerging market equiwill become more important. Most emerging market funds benchmark their per-

Fortis debut successful with €1.25bn offering

NEW ISSUES

By Bertrand Benoit

Fortis, the Belgian-Dutch the demand, with a quarter financial services group, of the paper going to insurmade a successful debut in the international bond market, with a 10-year €1.25bn bond, adding to the long list recently but Fortis hoped to of corporate issuers in euros.

Fortis joined the top 10 club of European banks by market capitalisation following its merger with Belgium's Générale de Banque last vear.

Lehman Brothers, joint 1.5 basis points. lead manager with Générale de Banque, said the group was now eager to tap a more increase in size.

raised from a planned €1bn. met good demand and was sold to 70 investors, mainly

WORLD BON

in France, the Benelux electricity utility, issued a region and southern Europe, the bank said. Fund managers provided two-thirds of

ance companies. There has been a raft of issues from European banks offer rarity value because of its profile as a bank and insurance company.

The bond was priced to vield 70 basis points over the benchmark 10-year German bund and later tightened by

The recent resurgence of long-dated sterling issues continued after a focus on diversified pool of investors the euro during the first because of its recent weeks of the year. There were two £200m offerings The offering, which was from high-profile names, with maturities over 25

years PowerGen, the British

25-year bond, its first issue in sterling since it launched a 10-year note in 1996.

The company was keen to increase its long-dated funding and tap the buoyant sterling market. Bankers said it expected to stand out amid the crowd of similar securities thanks to its high profile

as a FTSE 100 stock. The offering was priced to yield 170 basis points over the 2021 gilt and was fully subscribed.

HSBC, co-lead manager with Warburg Dillon Read, said it expected the bond to perform in line with an existing National Power bond trading at 165 basis points over the relevant gilt. The Kingdom of Spain returned to the UK debt market after a 14-year absence with a 30-year bond priced to vield 70 basis points over the

2028 gilt - which many bankers thought expensive. An Italian government bond, maturing in 2028, was trading at around 80 basis points over the relevant gilt. "This is not a successful deal," said one official, "It is a pity because Spain is such a rare issuer in sterling.

But Barclays Capital, sole manager of the issue, said the launch was successful. with the bonds trading at the reoffer price. It said the spread difference between Spain and Italy mirrored that in the euro market. Spanish paper denomi-

Floating-rate nota. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. at Home Equity Loan Trust. Series 1999-1, 3-tranche asset backed, b) 3-mth Libor +15bp. c) €750m launched last treek was increased to €1bn. c, 3-mth Euribor -25bp. d) Equity-linked formula. e) Spread relates to German govt bonds. f) Fungible with £100m. Pius 1-1 cays accrued. l) Long 1st coupon. p) Oeffentliche Pfandbrief. s) Short 1st coupon.

99.34R Aox 2004 0.275R +321/(Sep03)

day for the euro.

tions of falling unemploy-

was slowing its rate of issuance, the bank said. The offering was largely bought by UK investors. with the balance going to nated in sterling was attract-Benelux-based institutions.

ing demand from UK-based

institutions because of the

scarcity of AA rated securi-

ties as the UK government

D.PRICES	

BENCHMARK GOVERNMENT BONDS

PERMIT	4 III .				Q11DQ	•		
N= 29	Red Date	Coupon	Bid Prica	Big Yleki	Day cho yasid	tijk chg ylekt	Manth chg yiti	Year chg yid
Australia	01/01 06/08	8.750 8.750	106.5978 123.7990	4 83 5.47		-0.11 -0.02	-0.22 -0.09	-0.23 -0.34
Austria	03/01 01/06	5.250 5.000	104.3100 105.6900	293 421		-0.17 +0.09	-0.32 +0.06	-1.12 -0.76
Belgium	03/01	5.000 3.750	103.7100 95.5200	3.D4 4.31	-0.03 +0.01	-0.04 +0.10	-0.15 +0.09	-1.05 -0.66
Canada	12/00 06/08	5,000	100 1000 106,2500	4,93 5,13	-001	-0 17 -0.12	-0.35 -0.24	-0.22
Denmark	11/00 11/09	9.000 6.000	108.7200 113.3300	3.33	-0.08	-0.02 +0.04	-0.29	-0.92
Flotand	06/90	4.000	101.2200	2.95	-0.04	-0.05	-0.04 -0.10	-0.73 -0.73
France	07/00	5.000 4.000	105.3680	4.33 2.92		+0 14 -0.10	+0.10 -0.17	-0.50 -1 13
	04/06 04/09 04/29	7,250 4,000 5,500	121.4600 98.4800 106.1200	3.73 4.19 5.10	+0.04 - 10.0+	+0.07 +0.11 +0.11	-0.02 +0.10 +0.14	-0.93 -0.73 -0.36
Сеплану	05/01 01/06	5.000 6.000	104.1000 112.5700	2.98	-0.02	-0.03	-0.19	-0.91
	01/09 01/28	3.750 4.750	97.6000 95.3600	3 83 4.05 5 06	+0.01 20.0+	+0.05 +0.08 +0.11	-0.05 +0.02 +0.09	-0.87 -0.84 -0.40
Greece	03/00	9.800 6.300	100.3600	9.36 6.08	+0.38 +0.07	+0.48	-0.15 +0.03	-0.64 -2.42
ketand	10/01	6.500 6.000	108.1900 113.7500	3.10 4.19	-0 03 -0.01	-0.04 +0.06	-0.19	-1.36 -0.82
Italy	07/01 07/03	4.500 4.500	103.0500 104.2100	3.08	-0.05 -0.02	-0.04 -0.01	-0.17 -0.14	-1.40 -1.28
	05/09 11/27	4.500 6.500	101.7300 117.9500	4.29 5.28	+0.02	+0.12 +0.13	+0.10 +0.16	-0.78 -0.31
Japan	12/90 12/93	8.900 4.100	111.4330 115.0610	0.19 0.84	-0.01 +0.03	-0.03	-0.14 -0.28	-0.46 -0.40
	06/06 09/18	1.600 2.300	101.1910 96.7080	1.88 2.51	+0.02 +0.01	-0 02 -0.05	-0.22 -0.27	-0.02 +0.01
Methoriands	01/01 07/09	9,0 00 3,750	110.3000 96.3900	2.95 4.19	-0.06 -	-0.07 +0.09	-0.18 +0.07	-1.05 -0.68
New Zealand	02/01 07/09	8.000 7.000	105.4903 109.1103	4.84 5.81	-0.05 +0.01	-0.06 -0.02	-0.29 -0.05	-3.02 -1.20
Norway	05/01 05/09	7.000 5.500	104,3290 104,4500	4.63 4.83	+0.01 +0.05	+0.03	-0.22 -0.02	+0.61 -0.26
Portogal	03/00 06/08	5.375 5.375	102.2400 108.1900	2.98 4.28	-0.01 -0.02	+0.06	-0.02 +0.07	-1.10 -073
Spain	01/01 07/09	5.000 5.150	103.6500 105.0400	2.91 4.52	-0.07 -0.02	-0 06 +0.03	-0.18 +0.04	-1.21 -0.50
Seeden	05/00 05/08	10.250 6.500	107.5253 115.0500	3.07 4.45	-0 03 +0.02	-0.12 +0.11	-0.27 +0.07	-1.61 -0.79
Switzerland	06/00 01/08	4.500 4.250	103 8400 115.3500	1.37 2.29	-0.02 +0.03	-0.07 +0.10	+0.04	-0.35 -0.53
UK .	11/01 12/03	7.000 6.500	105.3900 107.8900	4.77 4.61	-0.01 -0.01	-0.02 +0.03	-0.10 -0.03	-1.96 -1.48
	12/09 12/28	5.730 6.000	110.0700 123.7900	4.55 4.53	+0.01	+0.07 +0.06	+0.01	1.40 1.33
US	07/01 02/04	4.500 4.750	99.1240 98.5114	5.00 5.10	-0.02	-0.05	-0.14 -0.11	-0.66 -0.64

10 YEAR BENCHMARK SPREADS

ME 53	<u> </u>	ield Euro	T-Bonds			Yjeid	Euros	T-Bank
Australia		49 +142		Netherla	ends	4.21	+0.14	-1.0
Austria Colonom		40 +0.3		New Ze	oland	5.81	+1,74	+0.5
Belghin		.30 +0.23		Horway		4.93	+0.86	-0.3
Canada		13 +1.06		Portugal	!	4.27	+0.20	-0.9
Denmark Pinkrel		.38 +0.31		Spain		4.29	+0.22	-0.9
France		.33 +0.26		Sweden		4,48	+0.41	-0.7
Cermany		.15 +0.0g		Switzerk	and	249	-1.58	-2.7
Greece		1.07	-7.16			4.63	+0.58	-0.6
iretand		i.11 +2.84 i.22 +0.15		US		5.23	+1.16	
Baiv				Source, i	Moracine D	als/FT infor	THEOR	
Jacon		1.31 +0.24 171 -2.35		London c	being. "Ne	ma Yank cao	and .	
					d yield basi	B.		
EMERG	ING	MARKE	T BO	NDS				
	Red					Day's	Mith's	Spn
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2	date	Coupn	Rading	price	yleid	yid	VIA.	U
						•		_
Croatie	02/02	7.000	BBB_	93.9000	9.44	+0.24	-0.03	44
Poland	07/04	7.125	BBB-	103.1960	6.38	-0.02	+0.41	+1.2
Russita	06/07	10.000	1/8	27.0900	41.67	-1.05	-1.91	+38.6
E LATEX A	MERICA			-				
Argentina	09/27	9.750	BB	82.8736	11.85		• •	
Brazil	05/27	10.125	B÷	70.5773	14.44	+0.17 -0.11	-0.4 0	+6.26
Mercico	05/26	11,500	BB	109.3865	10.45	+0.16	-1.59 -0.45	机思
M ASIA			_	-0000000	10,43	+0.10	-0.45	+4.86
China	07/06	7,750	BBB+	4ru man				
Philippines	10/16	8.750	BB+	101.5830	7.45	+0.03	-0.28	+2.3
Thailand	04/07	7.750	886-	93.8553	9.50	+0.04	-0.48	+4.13
			000-	101.2438	7.54	+0 64	-0.45	+23
S AFRICA!	ARDONE E			•				
Lebanon	07/00	9.125	BB	101.5336	7.80	-0.40	+0.43	+2.84
South Africa	10/06	8.375	B8+	99.7454	8.42	+0.14	-0.94	
Turkey	09/07	10,000	B	91 7631	11.55	-0.05		+3.27
ID BRACY B	oms.		-	31 1331	11.00	-11.12	-0.34	+6.37
Arcentina	03/23	5.750	BO3	60 Tee				
Brazil	04/14	5.000	8+	89.7500	9.13	+0.07	-0.38	+3.62
Mexico	12/19	6.256	88	62.2500	13.48	-0.06	-1.31	+8.15
Venezueta	03/20	6.750	B+	78.5000	8.47	-0.08	-0.49	+3.04
			D+	66.2500	10.86	-0 <i>22</i>	-0.54	+5.41
London closing. Standard & Poo	Prices in Ci 's ratings	SE			Source	ideache	Cata/FT yr	tometic

BOND FUTURES AND OPTIONS

	Open	Sett prace	Change	High	LOW	Est. vol.	Open Int
lun Pul	94,44	94,42	+0.09	94.52	94.10	26,321	79,507
E TONE 1	TERM EURO E	CHID GPTION	IS (MATTE)				
Strike	_	CAL	LS			- PUTS	
TICE	Apr	Ma	y .	Jun .	Apr	May	Jun
17	-		(3.36			
8	-	-	í	1.13	3.45	3.49	-
19	-	-	(1.06	4.45	4.45	-
08	-	-	(1.03	5.45	5.45	-
	Calls n/a Pub	ofa Presion	day's open in	t, Caffo nia	Page mis		
iermar	W						
	') Val euro bu	m smoce		00 000 10	Niles of 1000C		
1 1701107	Coen	Sett price	Change	High	Lone	Est. vol	Open Int
_				-			
iun Neo	113.97	113.59	-0.50	113.99	113.32	606,532	539,258
	114.12	113.75	-0.45	114,13	114.08	2,542	4,310
NOTION	al euro bu	ND (BÓBL) F	爪服	(EUREX) €1	00,000 1000	as of 100%	
	Ореп	Sett price	Change	High	LOW	Est. voi	Open let
un n	108.84	108.78	-0.08	108.89	108.66	153,101	227,152
NOTTON	al etb swa		LIFTER Syr	4.0% E100	,000 100ths	of 100%	
	Open	Sett price	Change	High	Low	Est. voi	Open Int
terr red		101.27	+0.09			0	214
HOTION	AL ETB SWA	P FUTURES (LIFFE)* 10y	7 4.5% €10	0,000 100 t is	of 100%	
	Ореп	Sett price	Change	High	LOW	Est. vol	Open int
Lan		100.05	-0.16	-		0	367
Traded on	APT prior to To	doc on LIFFE C	THE STATE OF	an TOFFISH	All ones intere	er Anno ann fer	minima 6
talv							
						•	
	al italian e	OVT. BOND	BIP) FUR		7 Litz 290m	100ths of 1	00%
	Open	Sett price	Change	High	Low	Est. vol	Open int.

	Upan	Sen bucs	creange	недел	LOW	EST. VOL.	Open ant
Jun	97.69	96.99	-0.81	97,69	96.60	25,032	20,020
UK		•					
M MOTIO	HAL 5 YEAR	GELT PUTURE	S (LEFTE) ET	100,900 100	hins oi 100%	,	
	Open	Sett price	Change	High	Low	Est. voi	Open int.
Mar		108.48	+0.02			0	41
Jun	-	108.15	-0.02		-	0	9
HOTIC	NAL UK GELT	FUTURES (LE	TTC)* £100,0	000 100Bs	of 100%		
	Ореп	Close	Change	High	Low	Est. voi	Open int.
War	116.21	116.04	-0.13	116.21	116.21	173	3497
Jun	116.65	116.76	+0.03	116.94	116.30	26252	73708
· UFFE NA	ores also tracked	us APT. All (s		figs. ara for p	TENIOLE SEY.		
	GELT FUTURES						
Strike		- CAL	IS —			PUTS	
Prima	l.	4 6-	_		c		

Price	أنبار	Sep	لوف.	Sep
11600	1.89	2.39	1.42	1,92
11680	1,63	2.14	1.66	217
11700	1.40	1.91	1.53	244
11760	1.19	1,69	2.22	2,72
11800	1.00	1.49	2.53	3.02
11830	0.84	1.31	2.87	3.34
Est. vol.	lokali. Cadis 232 Pada 232	President	day's open int.	Calls 9776 Pulls 5764

THEASURY BOND FUTURES (CST) \$100,000 32nds of 100%

	Ореп	Lated	Change	High	Low	Est. vol.	Open Int.
Jun	120-20	120-12	-0-07	120-28	120-06	361,288	587,018
Sap	120-08	119-29	-0-09	120-08	119-25	5,930	24,294
Dec	120-09	119-21	-	-	-	16	3.418
Japan • Notice	IAL LONG TE	RN JAP ane	E GOVT. BI		35 (LIFFE) Y	100m 100gs	s of 100%
	Open	Sett price	Change	High	Lim	Est. vol	Open Inf.
)UD	132.15	132,15	-	132.25	132.10	351	π⁄a
Sep	-	131,11	-	-	-	0	n/a
Euro							
■ € BOHE	FUTURES (A	1,0013 FITA	100				
	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
iun.	-	105,73	-1.24	-	-	_	20
							_

We want your business.

US CORPORATE BONDS INTERNATIONAL BONDS

Mar 25	date	Coupe	Rating	price	yetd	yks	yte	ecrs
■ UTILITIES								
Pac Bell	07/02	1.25	AA.	104 4307	5.75	-0.02	+0.06	-5.73
NY Tel	08/25	7.00	A+	98.4548	7.12	-	+6.06	+1.52
CWE	05/08	8.00	666	112.0810	5.24	-	+0.07	+1,03
E FRANCIAL S		-						
GECC	95/07	B.75	AAA	117.6536	5.97	-0.01	-	+0.76
Banc One	08/02	7.25	A	104,1439	5.86	-0.02	-0.01	+5.85
CKA Fin	81/10	6.95	A-	93.4589	7.60	+0.01	-0.92	+2.00
HOUSTRIALS								
WMX Tech	04/99	6.25	BB8+	100.0014	5.54	+0.05	-0.30	+1.05
Wai Mat	05/02	6.75	AA	103,7023	5.44	-0.02	+0.13	-5.44
Dayton Hud	06/21	9.70	A-	131.3137	6.91	+0.01	+0.13	+1.31
ACENCES								
FH:LMC	04/07	7.14	WA	108.8355	5.75	-	+0.03	+0.54
SLMA	03/00	7.50	₩A	102.1415	5.13	-0.05	-0.08	+0.65
Frina Frina	02/18	6.95	N/A	130,8391	6.16	+0.02	+0.11	-0.56
FFCB	06:06	8.95	N/A	118.6989	5.73	_	+807	+0.52
E HOSH AND D					٠.			
Stone Card	02/01	9.88	8	101.7500	0.00	_	-	_
ak su	12/01	9.13	8B	105,7500	0.00	_	-	-
Pacallis	06/04	10.75	B-	96.0000	0.00	-	-	
NY talest. Standard & Po	स्य ३ व्यक्ति	s. Yields: s	9971-390ud	basis.	Source.	otacke l	Data/Film	omation.

US INTEREST RATES

Lineal	11693013	DOM:	BIO DOMU TRIKIS	
Prime rate Broker loan rate Fed. funds Fed. konds at Intervention	One mode	4.51 4.53		

					••			
38	04/07	7.250	AAA		5.88	+0.04	-0.15	+0.70
ASS Acto	06/07	7.125	₩.		6.46	+0.05	-0.02	+1.28
Ouebec	01/07	7.000	Ar	105.4622	6.11	+0.06	-0.02	+0.93
Clicarp FRN	02/04	5.066	AA-	99.2936	5.23	+0.93	-0.03	+0.13
E CS		·						, :
Bayer t.—Bk	09/04	9.500	AAA	117.7918	5.58	+0.01	-0.25	+0.21
Torestin (M all)	05/04	8.500	AA+	112,9788	5.53	+0.01	-0.21	+0.18
Bell Canada	07/99	10.625	A+	101,3795	5.37	+0.01	-0.24	+1.27
Deutsche B FRM	09:112	5.875	AA.	100,7232	5.64	+0.02	-0.20	+0.39
2 🗷						7.4.2	·::	
EB	12/07	7.625	AAA	115.8900	5.29	_	+0.22	+0.57
Dressber 8k	12/07	7.750	AA-	111,6040	5.99	-0.02	+0.01	+1.27
Snitish Gas	03/00	7.625	Ā+	102.0310	5.48	-0.01	-0.14	+0.70
Abbey Nat FRM	02/02	5.587	AA	100.0306	4.87	-0.02	+0.43	+0.18
II SFR.					٠.			······
EBB	01/08	3.750	AAA	103,6476	3.27	+0.05	+0.06	+0.94
Brit. Columbia	02/02	3.250	AA	103,6981	1.92	+0.01	+0.04	+0.26
Hydro-Quebec	05/01	6.750	O/B	108,7030	2.51	-0.02		+1.04
Gen Elect.	09/01	1.280	n/a	99.7192	1,49	-0.01	+0.02	+0.02
■ YER		·		•		. : -		
ERD (World Big)	03/02	5.250	AAA	114,1328	0.45	+0.03	-0.07	••••
Scain (Krandom)	03/02	5.750	AA	115,5440	0.48	+0.03	-0.11	+0.03
Crest Foncier	08/02	4.750	A	112.5222	0.94	+0.03	-0.12	+0.49
Italy (Rep of)	07/99	0.516	AA		0.14	+0.01	-0.06	+0.02
20.5		:	·.					

Nov Sith Wales Tr 05/06 8.500 n/a 104.5221 S. Aus Gov Fin 06/03 7.750 AA 107.7252	Lúmbou closing Staudard & Poor's ratio	no Vielio I	Octal market	etonioni	(Complet)	Soc
Now Sign Walses Tr 05/06 8.500 n/a 104.5221	GMAC Aust	05/01	9.000	n/a	106.9870	5.4
	S. Aus Gov Fin	06/03	7.750	AA	107,7252	5.6
	Now Sizh Wales Tr	05/06	6.500	D/B	104,5221	5.7
PRO 201-11 PA 2011 PART PART AND AREA	abad (World Bis)	02/08	6.000	AAA	102,1440	5.6

FTSE Actuaries Government Securities **UK Indices** 2.35 5.82 8.67 6.71 11.82 21.15 6.51 2.06 3.50 1.79 2.99 3.37 3.57 2.73 2.25 1.06 2.65 1.53 1.23 2.21 1.88 4.73 4.70 4.68 4.69 4.66 4.78 4.68 +0.02 -0.04 -0.03 -0.08 -0.03 1.18 1.44 1.20 1.69 1.39 1.26 2.15 2.03 2.29 2.00 4.72 4.67 4.86 4.66 6.25 5.98 5.90 5.88 3.15 2.00 2.05 1.96 2.05 3.15 1.99 2.06 1.96 2.04 3.25 13.28 9.64 17.00 11.72 3.26 13.38 9.68 17.09 11.85

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oov 9pc 3000 rees 13pc 2000 rees 8pc 2000 rees Flig Rate 3001	3.57 4.7 11.80 4.7 7.61 4.7	3 103,8103 4)10,2033 7 105,1707 - 100 7642	+.0203 +.0195 +.0570 +.0104	104.38 113.50 105.84 100.82	102.66 110.18 102.22 100.17	Treas 131-pp: 2004-6 4 Treas 9p: 2008 Treas 6p: 2009 Treas 54.px; 2009	9.72 6.76 6.27 5.22	4.69 4.64 4.64 4.55	138.8927 33.2288±1 1.27.6068 110.0519	+.0349 +.0323 +.0012 +.0181	142.61 138.52 132.91 114.67	133.46 123.05 116.57 99.36	2 ¹ 20c 20(83.0) 2 ¹ 20c 24(87.7) 4 ² 80c 30(125.1)	1.70 1.22 1.78 1.72	1.89 ; 1.89 ; 1.84 1.77	214.6487 214.6170 186.6850 185.9645	~2036 -2762 -2979 -2592	214.87 214.72 167.13 186.38	162.7 178.1 150.6 148.4
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Coer 10ps 2002 # 873 483114.5300ml + 0682 1	1641 110.98 Tress Roc 2013 597 472 134.0864 -1685 139.64 119.00 1997 Currentina faciar 2.545, RPI for July 1998; 163.7	O and by Tabana
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Trees 95 pc 2002 8.45 4.80 115.3960 + 0682 1	17 23 111 19 Over PReso Years	·
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CURRENCIES & MONEY

Kosovo looms larger in traders' sights

MARKETS REPORT

to taken to be strong staken and

ledgling DR sector get boost

A growing perception that the Kosovo conflict could inflict substantial damage on prospects for European growth beloed drive the euro down to another record low yesterday.

Many analysts continued problems in the euro-zone economy were the prime mover of the fall. But most agreed that the Balkan tension was no great help to the mercial business by euro-

if Kosovo was to blame, it showed a distinct raising of the euro quite well supeuro gave way to more severe damage. The euro dropped through the \$1.07 level for the first time, as US traders made large sales of the currency. It closed in London at \$1.072,

Meanwhile the Greek drachma also fell as analysts

POUND SPOT FORWARD AGAINST THE POUND

+0.0149 733 - 913 +0.0439 994 - 522 +0.0066 195 - 315 +0.0065 760 - 538 +0.0071 527 - 113 +0.0071 528 - 552 +2.2230 820 - 930 +2.1100 310 - 564

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began to worry about the potential impact on other down of a US fighter over countries in the region of Serbia over the weekend refugees fleeing from Kosovo. It broke through Dr325 against the euro, which had the conflict. "Last week proved an effective support most New Yorkers might

don trading. The euro's fall came in a of the US session after a quiet morning in London.

One trader said that some judicious execution of comcone central banks early in European trading had kept the stakes as its fairly muted ported around the \$1.0760effects of last week on the \$1.0770 range. "But then the US came in and the currency began to sell off." he said.

■ P0	UND IN	NEW YORK
Mar 29	2125	Prev. close
Ange 3	1 6145	1 6225
) anch	1.6140	1 6219
3 mth	1.6136	1.6214
l yr	1.5170	1 6742

20.6902 60.6550 11 1746

20.8290 61.0630 11.2532 9.0000 9.9292 2.9613 493.975 1.1922 2930.98 10.630 3.3358 12.5561 303.470 251.891 2.4125

20.7418 60.8071 11.2074 8.9624 9.8877 2.9482

1.5140 1.5036 1.5074 2.3 1.5019

11 1746 11.2074 8.9400 8.9524 9.9531 2.9400 2.9462 485 298 494,372 2971.40 2978.87 60.6550 60.8071 12.5787 12.5289 301.453 3.022 2.508.80 13.4584 13.4713 2.3988

20.9654 60.5829 11.1734 8.9294 9.8512 2.9373

3,3096 12,6448 301,096 349,881 13,4233

-5.1 2.4 2.3 2.3 2.3

He added that the shooting appeared to made the US more aware of the extent of level last week, to reach Dr325.947 by the end of London trading.

most New Totals magazines have thought that Kosovo was somewhere in Manhattan," he said. "Now they

know exactly where it is." to argue that fundamental flurry of activity at the start uation was underlined by a rise in one-month euro-dollar foreign exchange option volatilities, which have risen from around 9 per cent a around 10 yesterday.

> ■ But some analysts said that Kosovo was no more than an unwelcome addition to the main problem - more evidence that the euro-zone economy would get worse before it got better.

> "Kosovo has injected volatility into the currency." said Philippe d'Arvisenet, chief economist of the Banque Nationale de Paris.

> > 20,3547 59,6724 11,0391 8,7952 9,7031 2,8331 510,867 1,165 2894,27 3,2596 12,6751 246,155 11,2403 2,3217

1,4793



"But economic fundamentals are the main cause of its weakness."

Yesterday's instalment of gloom came in the form of the INSEE survey, which showed French manufacturers sinking further into a slough of despond about economic prospects.

The large drop in the euro came several hours after the survey's release. But Peter

12.8397 37.6411 6.9353 5.5480 6.1206

394,140 1.3698 1896,27 37,6411 2.8583 7,7865 187,089 155,254 8,3383 1,4871 1,6186 1,9717

Burope
Austria*
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102.3 101.7 104.9 80.6 105.0 102.6 61.7 92.1 74.9 101.7

economist at Credit Suisse First Boston in London, said Both the Ifo and the INSEE surveys, which are the key leading indicators for the euro-zone, often do not see a market reaction for several hours after their release," he said. The market seemed to

have "a slow learning

curve". he added. Mr von Maydell said that if past experience was any guide, the weakness of recent Ifo and INSEE surveys meant that enro-zone interest rates should fall to 2 per cent later this year. Despite the fall in the

OTHER CURRENCIES

euro, interest rate futures

12,819 37,5804 6,9264 5,5391 6,1109

1.822 305.536 1.3631 1803.12 37.5804 2.0529

7.8

186.757 155.004 8.3258 1.4825 1.818 1.0735

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119,24

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12,7748 37,4509 6,909 1,8158 30,793 1,3678 1,797,5 37,4509 7,8165 1,54,47 8,208 1,54,47 8,208 1,4733 1,6177

1.5789 7.7647 42.135 9525

1.8658

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CITICORP

Notes Due September 2005

Notice is hereby given that the

Rate of Interest for the period March 30, 1999 to June 30, 1995 has been fixed at 5,5% and that

the interest payable on the relevant Interest Payment Date June 30, 1989, against Coupon No 23 in respect of US\$5,000 nominal of the Notes will be US\$70.28 and in respect of US\$6.000 nominal of the Notes will be US\$70.28 and in respect of US\$6.000 nominal of the Notes will be US\$70.28 and in respect of US\$6.000 nominal of the Notes will be US\$70.28 and in respect of US\$6.000 nominal of the Notes will be US\$6.

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U.S. \$150,000,000

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1,5652

41.6295 3.8045 1.8915 8.75

12,7587 37,4940 6,8913 5,5139 6,0821 1,8135 298,90 1785,34 37,4040 2,9439 185,890 154,280 8,2955 1,4765 1,6157

305.420 1.3694 1812.48 37.7610 2.0628 7.8309

0.9999 1,7750 1,5151 9,5550

3.8000 1.8783 38.9500 3.7508 1,7360 6,2425 1229.00 33.2150 37.6700

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Plungary 383. 696 - 384 251 237 230 - 237. 530
Iran 4857 00 - 4854 60 3000).00 - 3000.00
Rumait 4855 - 0.0946 - 0.3956 - 0.3055
Pure 5.4256 - 5.4528 1.3540 - 3.3600
Putrat 6.4539 - 6.4750 2.3620 - 25. 2500
UAE 5.9432 - 5.9469 1.6727 - 3.6732

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

+0.0303 373 421 +0.0597 340 871 +0.0713 333 373 +0.0008 468 293 +0.0029 266 253 +1.0329 390 266 -0.0021 656 610 +2.8609 539 -705 +0.0507 340 46 +0.0507 559 -567 -0.0715 940 890 +0.2509 034 -60 +0.2509 035 -60 +0.2509 035 -60 +0.2509 035 -60 +0.2509 035 -60 +0.2509 035 -60 +0.0004 182 190 -0.0004 182 190 -0.0004 182 190 -0.0004 715 719

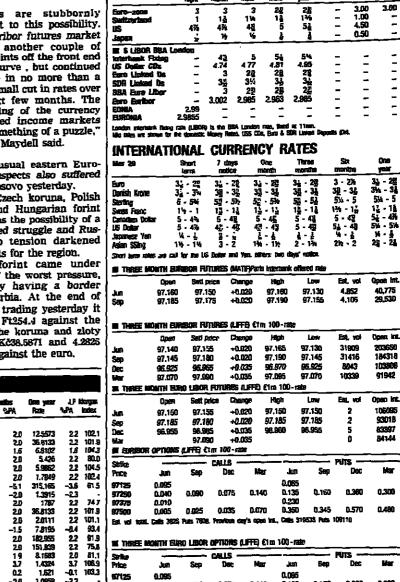
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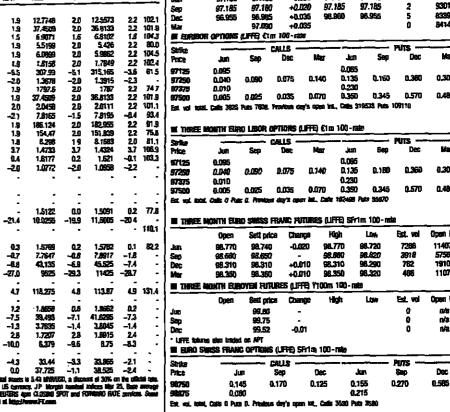
resistant to this possibility. The Euribor futures market shaved another couple of basis points off the front end of the curve , but continued to price in no more than a single small cut in rates over the next few months. The decoupling of the currency and fixed income markets was "something of a puzzle," Mr von Maydell said.

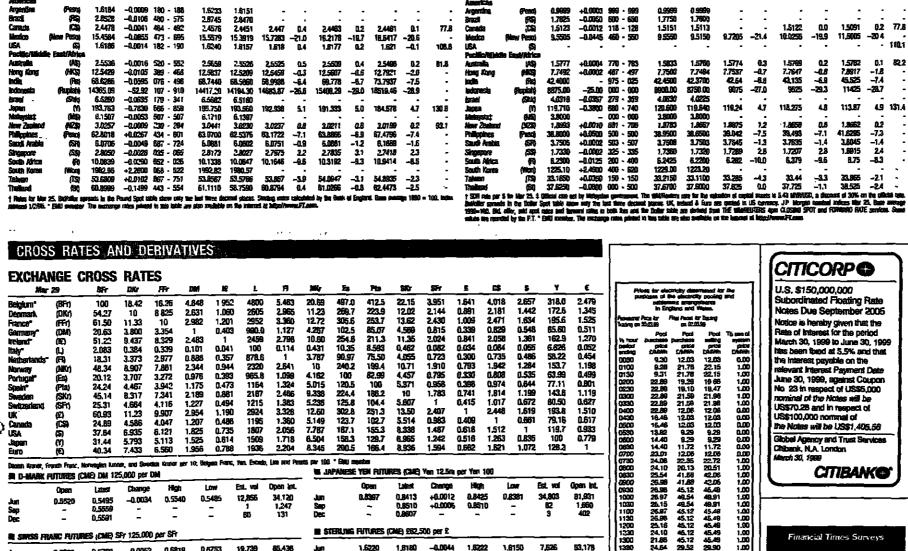
The usual eastern European suspects also suffered from Kosovo yesterday.

The Czech koruna, Polish zloty and Hungarian forint all fell as the possibility of a prolonged struggle and Russia-Nato tension darkened prospects for the region.

The forint came under ome of the worst pressure, Hungary having a border with Serbia. At the end of London trading yesterday it was at Ft254.4 against the euro. The koruna and zloty fell to Kc38.5871 and 4.2825 zlotys against the euro.







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98.70 To Advertise Your Legal Notices Please contact Melanie Miles on Tel: +44 0171 873 3349 Fax: +44 0171 873 3064

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Globel Agency and Trust Services CITIBAN(® Financial Times Surveys World **Steel** Industry Thursday May 13

For further information please contact: Catherine Markey in Edinburgh Tel: +44 131 220 1199 Fax: +44 131 220 1578 or Haj Haffejee in London Tel: +44 171 873 4281 Fax: -44 171 873 4862 email: haj.haffejee@FT.com FINANCIAL TIMES

THE STARS THE STARS PROGRAMME **PROGRAMME** STARS 1 PLC STARS 1 PLC £475,000,000 £475,000,000 Class A Floating Rate Class A Floating Rate Mortgage Backed Securities 2029 Mortgage Backed Securities 2029 Securities 2029
Notice is hereby given that
the Principal outstanding on
the subject issue for the
interest period March 29,
1999 to June 28, 1999 will be
£102,407,500,00.
The Principal amount
outstanding for each note is
£3,562,00. Notice is hereby given that the Rate of Interest has been fixed at 5.69188% and that the interest payable on the relevant interest Payment relevant interest Payment Date June 28, 1999 against Coupon No. 34 in respect of 210,000 nominal of the Notes

Global Agency and Thus Services, Caberis, N.A. Landon March 30, 1999

CITIBAN(9)

Global Agency and Trust Services, Cilibank, N.A. London March 30, 1989 CITIBANCO

will be £50.55

INDONESIA FUND LIMITED

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual General Meeting of the Company will be held on the 6th Floor, 1 Grosvenor Place, London SW1X 7JJ on Thursday 29th April 1999 commencing at 2.30 p.m to transact the following business:

To receive the report and accounts for the year ended 31st December 1998 together with the reports of the Directors and the Auditors thereon.

2. To re-elect Mr. J. R. Seymour as a Director.

3. To re-elect Mr. L. H. Wurfbein as a Director, 4. To re-appoint the Auditors, Ernst & Young, and to authorise the Directors

Voting arrangements for IDR Holders: IDR Holders who wish to vote must follow the procedure explained hereunder. IDR Holders must instruct EUROCLEAR or CEDEL to block the number of IDRs for which they want to vote and specify the manner in which the vote

Copies of the Annual Report of the Company are available from Jupiter Asset Management Limited, I Grosvenor Place, London SW1X 733 and with the Depositary at the address indicated below.

Depositary: Sogës-Fiducera S.A. 24 Avenue Marnix 1000 Brussels Tel. 32 2 547 31 46



INDONESIA FUND LIMITED NOTICE TO THE HOLDERS OF WARRANT IDES

Pand Limited ("the Company") may be exercised from 27th March 1999 to 27th April 1999. The attention of the Holders of Warrant IDRs is drawn to their right to require the Depositary to exercise the rights to subscribe for the Ordinary DRs wishing to exercise their subscription rights must complete a Notice of Exercise which may be obtained on request from the Depositary and returned to the Depositary accompanied by payment in full of the total subscription price in US dollars (plus any other applicable charges) in respect of the Ordinary Shares US dollars (plus any other applicable charges to be subscribed not later than 8th May 1999.

Subscription rights not exercised by 28th April 1999 may be exercised in any one of the years 2000 - 2004 inclusive.

This notice is given in accordance with the terms of the Warrant Deposit. Agreement between the Company and the Depostary. It is not to be taken as a recommendation to the Holders of Warrant IDRs to exercise their subscription nghts or otherwise.

Depositary: Sogès-Fiducero S.A. Avenue Marnix, 24 1000 Brussels

Belgium Tel. 32 2 547 31 46

Re: SOFTE - Société Financière pour

Nom. USD 34,000,000.- FRN due 2000 Notice is bereby given that from 24 March 1999 to 24 September 1999 (184 days), the Notes will carry an interest rate of 5.19688% per annum. Interest payable on 24 September 1999 will amount to USD 265.11 per Agrant Bank; Société Europé

cations et PE

This window open.

Banking & Finance Appointm

The directors of Espeti Holdings Limited (the "I outputy") bereity minutes that copies of the Unitputy's therein repor-for the six months ended 31st December. I'ME will be available for onlice processing the arminest for criticaling during features between the control of any workship featurity and both includes a corporate up to and including 10th April, 1904 or Unit 28 Economic United Price Store, London, ECTR OFF.

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Copper loses most of last week's gains

By Paul Solutan Base metals fell on the London Metal Exchange yesterday, with the flagship

most of the gains made during the middle of last week. Analysts said that the outlook for industrial metals

tion cuts.

At the close of trading yesterday, three-month copper was \$1,407 a tonne, down \$47 from Friday's close, while nickel was off \$165 at \$5,030 cent since February, and copper contract giving up a tonne and aluminium was \$16 lower at \$1,243 a tonne.

Crude oil prices were firm in London yesterday. The Brent blend benchmark May remained poor, with most contract rose to \$14.65 a barproducers failing to respond rel at one stage on the Inter-

trading it had fallen back to \$14.40 compared with Fri-

day's close of \$14.41. The price has risen 40 per was buoved last week by leading oil producers' agreement to cut output by more than 2.1m barrels a day.

Among soft commodities, wheat consumption will reach a record 592m tonnes

to lower prices with produc- national Petroleum tonnes in next season, tional Grains Council

Releasing its first estimate of world wheat supply and demand for 1999/2000, the IGC said that population growth was likely to boost food use, although use of wheat as animal feed could fall because of the continued decline in demand from countries in the former

Exchange, although in late according to the Interna- fall next season to 569m European Union, the US. would have smaller harvests added because of wet weather and a drop in the amount of land wheat, said the IGC.

105m tonnes, with stocks in \$11 from last week's finish.

Malaysia to

Production is forecast to the five main exporters - the tonnes compared with 583m Argentina, Australia and in 1998/99. Several of the Canada - declining almost main producing countries 20 per cent to 46m tonnes, it

Robusta coffee futures made modest gains on the being given over to planting London International Financial Futures and Options As a result, world wheat Exchange yesterday, the stocks are forecast to fall to most actively traded May their lowest since 1980 at contract closing at \$1,536, up

Hopes rise of cuts from big copper groups

By Gillian O'Conner, **Vining Corresponder**

For weeks now the world copper industry has been are slightly different. casting baleful glances towards the south-west of the US, willing one of the four big mining groups with interests in Arizona, Nevada and Texas to cut back pro-

The four groups - BHP. Phelps Dodge, Asarco and Cyprus Amax – are proving painfully slow in making any decisions over closures due to the vast costs. But the industry has been encouraged by recent comments from BHP, and is hoping they will act as a catalyst for consolidation.

Copper, like many base metals is heading for a substantial production surplus this year. However, unlike nickel producers, which are cutting back, most copper miners are producing as much as they can, and the copper price has fallen 9 per cent from the end of last

Industry leaders claim the aim is to maintain low prices and force high-cost producers to close. Rio Tinto boss Bob Wilson recently said he hoped the copper price would stay low enough, long enough to achieve a thorough shake-out.

The four miners in the south-west of the US are the most obvious high-cost producers. Their problem stems partly from the strength of the dollar, but it is also the consequence of a local imbalance between mine produc-

tion and smelting capacity. The five smelters operating in the area have total capacity of 1.15m tonnes this year but the local mines will only produce 875,000 tonnes. leaving the smelters dependent on expensive imported

material to bridge the gap.

JOTTER PAD

George Cheveley, copper research manager at CRU International, notes that the pressures on each company

For BHP, which has one smelter with a capacity of 370,000 tonnes per year and two mines producing 175,000 tonnes, closure is a theoretical possibility. But it would probably much prefer to to reach a deal with one of its

The company bought the San Manuel smelter as part of its pricey Magma Copper acquisition, and has written off a large part of the cost already. San Manuel is the cleanest and most efficient local smelter.

Paul Anderson, BHP's new CEO, has said that "the North American copper assets are my absolute top priority ... it is my intention to deal with them in this

quarter' Phelps Dodge's two activities are roughly in balance. while Asarco has one operating smelter with a capacity of 180,000 tonnes per year and two low-grade, highcost mines with a capacity of

225.000 tonnes. Cyprus Amax's activities are roughly in balance.

There are rumours of behind the scenes negotiations among the companies. One possibility would be for BHP either to sell its local assets to one of the other companies or to agree to a ioint venture.

This could leave BHP's San Manuel smelter operating, while one of the other smelters and perhaps some of the higher-cost mines close. Phelps Dodge is the favoured partner.

However, Larry Kaplan of Flemings Research warns: "BHP may want a quick resolution, but there is no comparable time pressure on the

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Gabriel in search for mining angel

Mining juniors are out of favour but one is fighting back, says Gillian O'Connor

rank Timis waves at the deposit in the world at Busrugged Transylvanian ang in the middle of the Bor-skyline: "That mountain neo jungle in Indonesia. used to be over 1,000 metres high. We took off the top hundred metres or so. Eventually we may need to move the village," he says.

"junior" mining company, Frank Timis thinks on a lavish scale, both environmentally and financially.

Today, his gold exploration company, Gabriel Resources, is just one of perhaps 1,000 struggling junior mining companies listed on the speculative Vancouver

Stock Exchange. This summer, he plans to get Gabriel traded on London's junior Alternative Investment Market, and to pull in US\$18m or so from a leading international mining company; next year, he hopes to move up to the

main UK market. But his timing could hardly be worse. Junior mining companies - the polite term for explorers with great expectations but little substance - have been deeply out of favour since the 1987

Bre-X scandal.

PRECIOUS METALS

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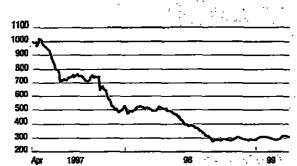
By 1996, the company was valued at C\$6.8hn (US\$4.5hn) on the Toronto Stock Exchange. In 1997 the shares collapsed worthless, after it For a man running a became clear that Busang

was a fraud. The credibility gulf created by Bre-X has been compounded by falling metal prices, which have made it harder to make money from

Some juniors have become dormant. Others have turned to more glamorous or more lucrative pursuits. Cornucopia Resources of Vancouver plans to start providing internet services and change its name to Stockscape.com.lnc.

A fortunate few juniors have produced exploration results that have been tempting enough to attract generous bids from leading mining companies. Earlier this year, Argen-

tina Gold repelled a bid from one North American major. Barrick, and accepted a higher offer from another. Sutton Homestake. Resources, with a prospect listed gold explorer, claimed in Tanzania, gratefully sucto have found the richest cumbed to Barrick.



Frank Timis is more ambitious. He aims to allow some lucky major to help him develop Gabriel's Transylvanian project in return for an equity stake, but keep control of the company himself. Delusions of grandeur?

Perhaps not. There is no doubt there is gold in the Transylvanian mountains. People have been mining gold in the area for

oman emperor Hadrian fought a war with the Dacians to get control of it, and modern tourists can walk through two kilometres of remarkably well preserved Roman underground galleries. More recent work by the state mining company has left a larger labyrinth of tunnels. which Gabriel's geologists are using when taking their rock samples.

The existence of these workings makes it relatively cheap for Gabriel to find out what its four sites at Rosia

GRAINS AND OIL SEEDS

Montana contain and modern mining methods should enable the development team to extract a higher proportion of the gold profitably than their predecessors.

Frank Timis, the Australian son of a Romanian executed under the Ceausescu regime, is also clearly in favour with today's authorities. He is on hugging terms with the boss of the lossmaking local state mining company, the county governor, and the president of the National Agency for Mineral

Every stock promoter needs a "story" and Timis. who has given guided tours of Rosia Montana to several leading gold producers, hopes to have indicated resources of 5m ounces of gold by mid-summer and 10m by the year-end. But many investors are wary of eastern Europe, and there are 999 other mining juniors with stories to sell. As always greed and fear

SOFTS

withhold rubber By Shella McMulty in Singapore and Paul Solmen in London Konin i moore ka Malaysia is to withhold its rubber from the export market as part of a package of measures aimed at pushing up prices and rescuing its alling industry. It might also buy locally

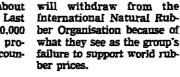
produced rubber from smallholders at higher prices than those in the international market, and impose a temporary ban on imports of natural rubber, which amount to about 550,000 tonnes each The measures, announced "We have to act fast as by the Lim Keng Yaik, pri-

mary industries ministry, smallholders are already come as world rubber prices abandoning their small plots of land to look for jobs elseremain low. Kuala Lumpur's benchwhere," Mr Lim said. mark RSS1 (April) rubber "While we have appealed to Thailand and Indonesia to

contract ended last week at 225.50 cents a kilogram, more than 30 per cent below its level just a year ago. Asia's economic crisis has cut demand and analysts expect consumption to stay depressed at least until next year. Asia accounts for

about a third of world con-

sumption of natural rubber. Malaysia is the world's third biggest rubber pro- producers. Both Malaysia ducer, after Indonesia and and Thailand have said they Thailand, producing about 900,000 tonnes a year. Last year, it exported 450,000 tonnes. Smallholders produce 85 per cent of the coun-



added.

reduce output, we are not

placing much hope on them.

As such, we have to come up

with some schemes to help

our local producers receive

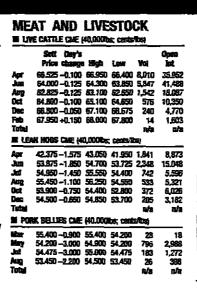
remunerative prices," he

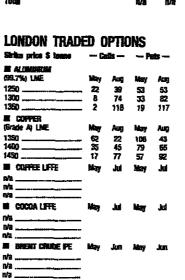
The measures are subject

Falling prices have divided

the world's leading rubber

to cabinet approval.







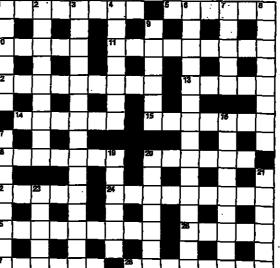
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CROSSWORD

No.9,951 Set by DARCY



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den centres (9) 3 Is it paid using current I'd wrote, finally? (6) Look for underlying current in Windows extras (5) 4 Get a half-bottle, to get A minor storm (9) 12 Legally bound with Ger-6 Type of name one may be man involved, subject to restrictions (9) 7 Rum served in Cuba, if a

13 Was inclined to be thin, gaining weight at last (5) 14 Canopy with huge gap? Not to start with (6) 15 He wrote outrageous book - in the forefront, in retrospect (7) 18 Gloss over how items disap-

pear, including registered 20 Trim some dense foliage (6) 22 Selfish neighbour given brief time for recalling past

chair (9) 25 Building up evidence of one's creative ability (9) US city (5)

26 Capital has got invested in 27 You shouldn't do this, to be popular and healthy! (6) 28 Vet Dante puzzle, finding

serious axe to grind (8)

16 Set motorcycle going, want-ing thrills with loose Woman (4-5) 17 Charismatic chap given lass not completely corrupted (8) Symbol of Anglo-European unity? (6)

24 Don should be given a 20 Dog with an old tax obligation (7) fire-power (6)

21 Force, all at sea, give a prosecuting officer some 23 Hard mineral first mentioned in book of the Bible

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2 Means to cut growth of gar-

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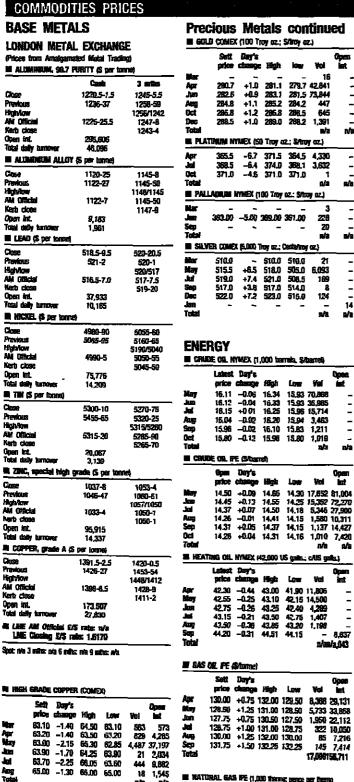
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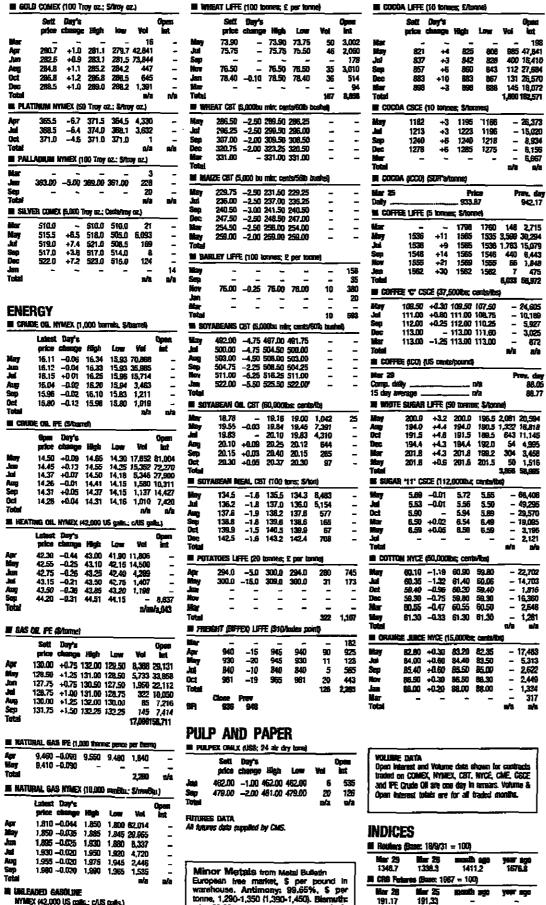
attached (6)

account? (10,4)

Solution to Saturday's prize puzzle on Saturday April 10. Solution to yesterday's prize puzzle on Monday April 12.

For solutions to today's crossword call 0906 843 0060. Calls cost 60p a minute.





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Mercary: min. 99,99%, S per 78 pound flask, 135-143 (137-145). Molybdenum: drummed molybdic oxide, 2,70-2,85 (2,80-2,95). Selenium: min. 99,5%, 1,50-2,40

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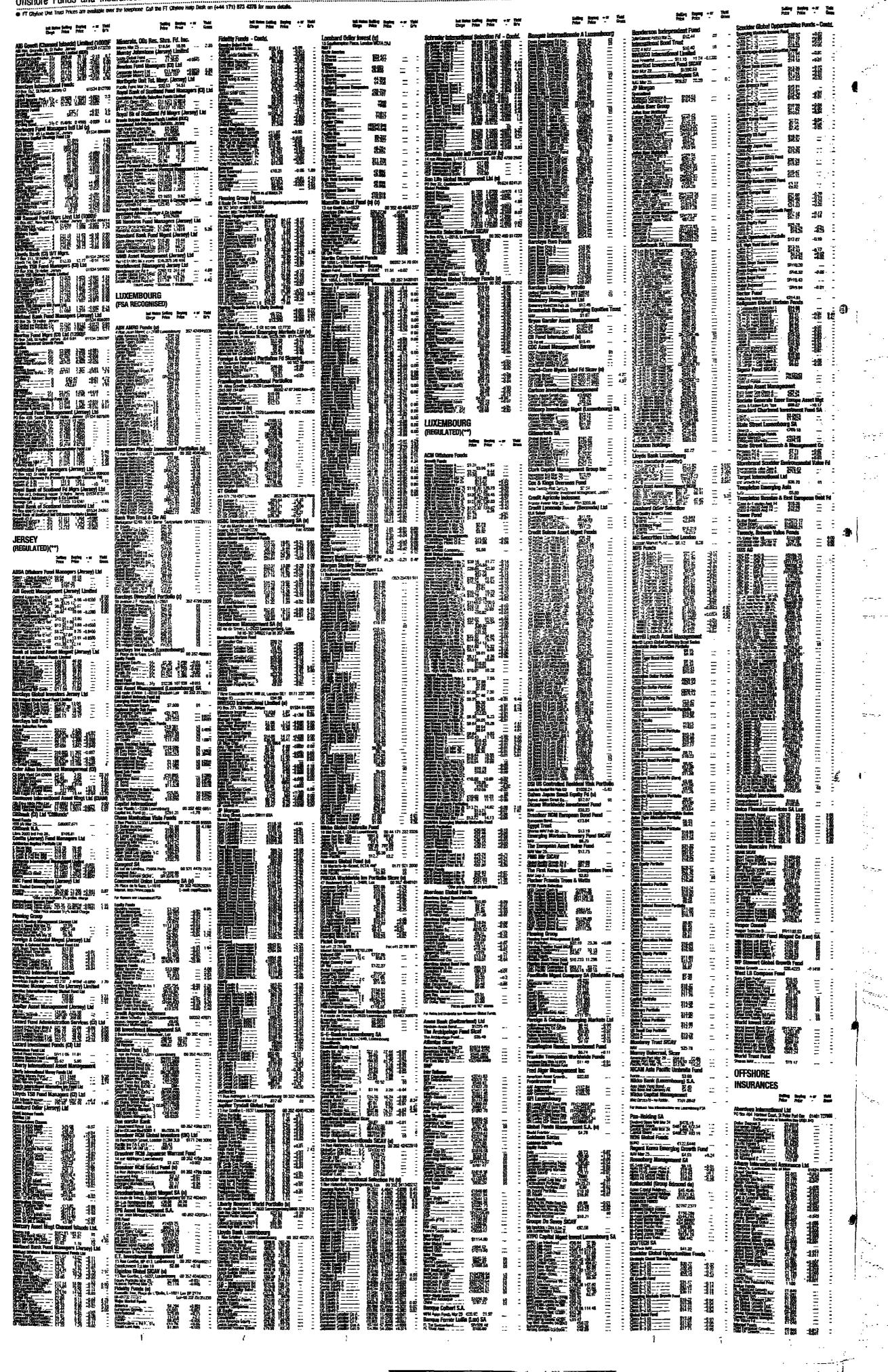
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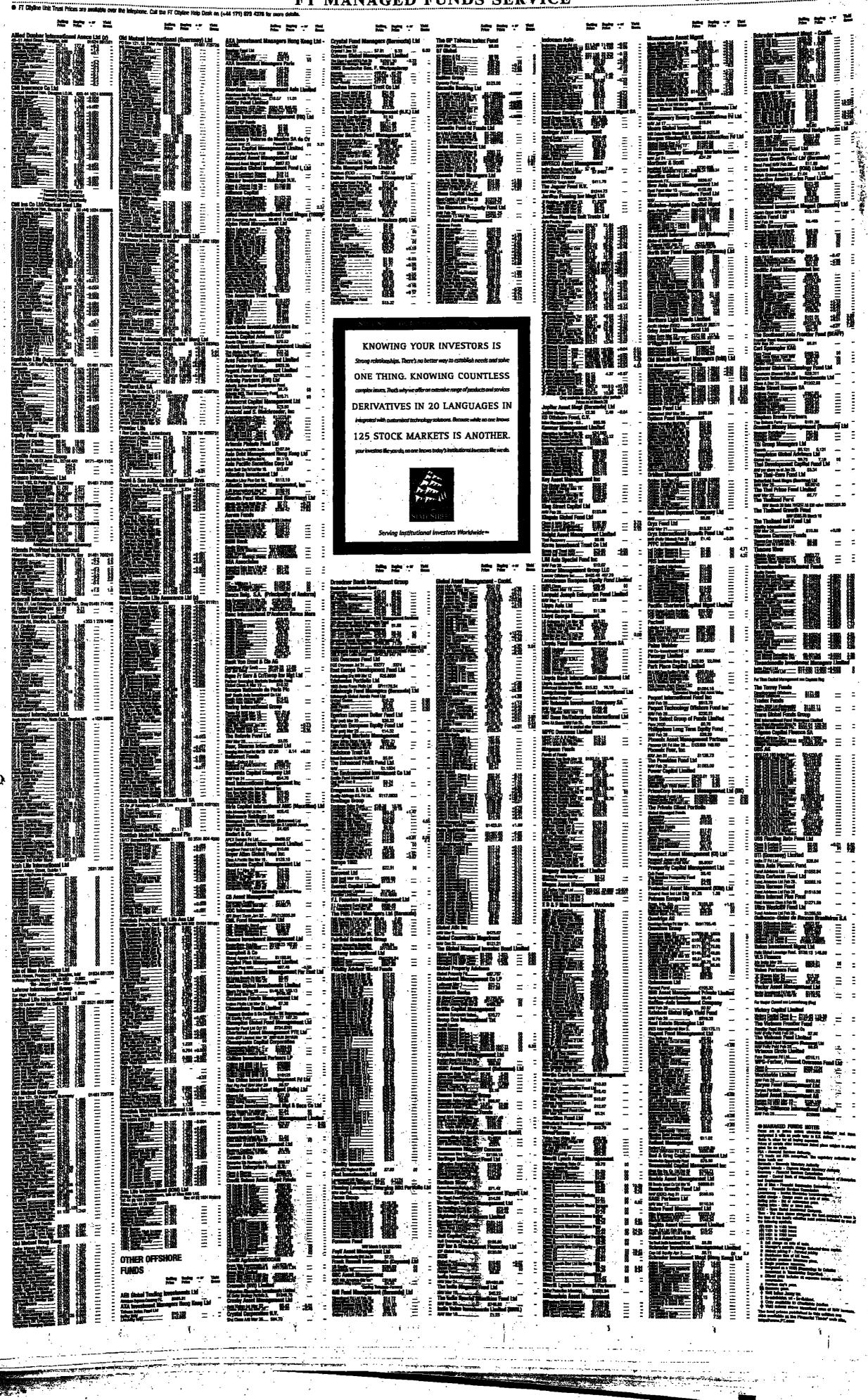
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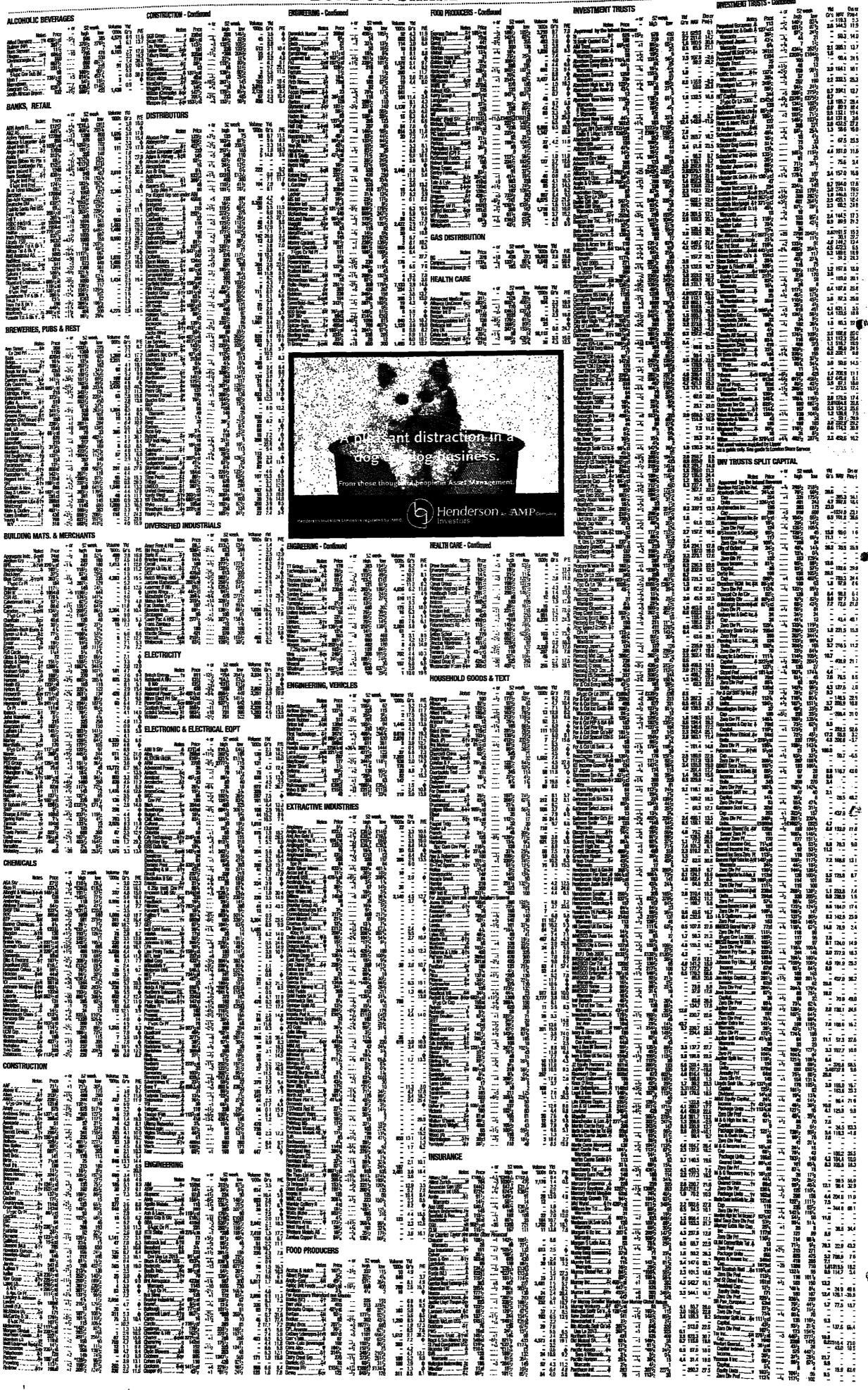
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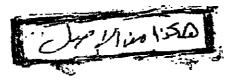


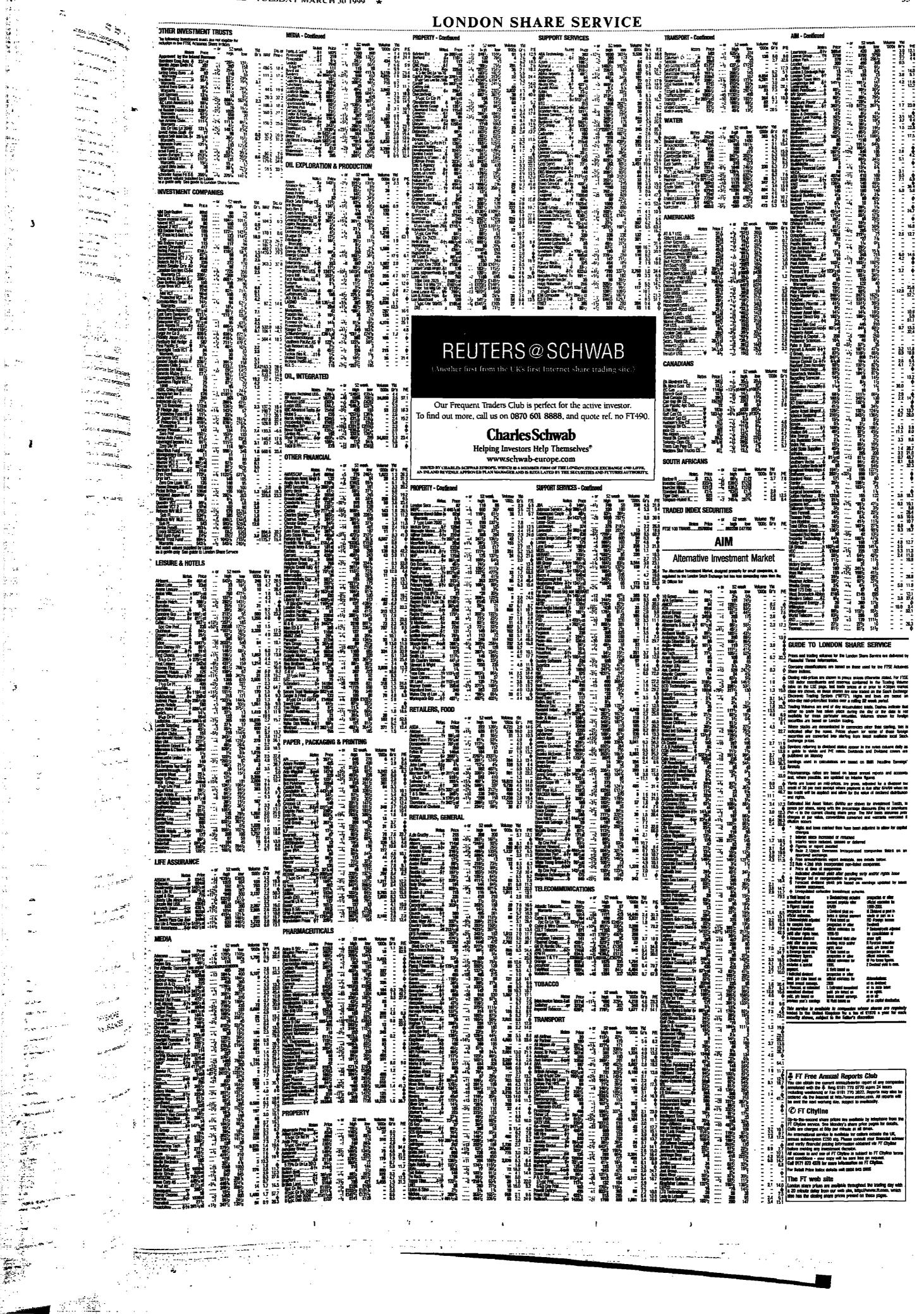
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MARKET REPORT By Steve Thompson. UK Stock Market Editor

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The sudden burst of takeover and merger activity involving some of the London market's biggest and most heavily weighted stocks in the FTSE 100 injected some much-needed confidence to stock prices

The FTSE 100 raced higher throughout the day, bolstered by confirmation that BP Amoco is involved in detailed takeover talks with

has been holding merger 2.394.5. talks with Bristol Myers Squibb of the US, and numerous other rumoured

Footsie eventually finished 113.7 higher at 6,252.9. extending its gain over the past three sessions to 236.2 or 3.9 per cent. At its best of the day, not long before the trading session finished, the index hit 6,253.8.

The bullish feeling in the front-line stocks extended right across the rest of the Atlantic Richfield, the US oil index pushing up 15.5 to although he warned that

Wellcome, the drugs group, Cap nudging ahead by 0.2 to

Some market traders suggested the latest mooted deals could propel the FTSE 100 beyond its previous record intra day and closing highs within days. "We're looking at an extremely strong market in the short term and there are plenty of big market hitters expecting Footsie to move through 6,400 in the short term," said

one marketmaker. Another said that the market looked set fair and could market, with the FTSE 250 well run to new highs,

possibly the US had the ers are wary the Fed might per cent, Vodafone up more potential to upset the apple cart.

Market observers noted the ominous developments in the Balkans over the weekend and insisted that the outlook for that region with all the implications for increased confrontation between Nato and Russia and its allies.

In the background, there is No change is expected in moving up more than 6 per stocks in the majority.

well issue some form of warning about future moves in US rates.

Helping London build on its strong start to the week on the 10,000 level, posting a 160-point gain 90 minutes after London closed.

London's biggest stocks, in also the regular meeting of terms of market capitalisathe US Federal Reserve's tion, were behind the stunopen market committee, ning upside move by the which sets US interest rates. FTSE 100 index, with BT

group had been chatting to

the lines that Glaxo had

reports to ensure that Smith-

Kline Beecham would be

Glaxo begging to do a deal.

more than once took a sim-

FTSE share classification

New sector classifications

for FTSE UK index companies

come into effect on April 1.

This Saturday's FT will include

a comprehensive A-Z guide to

the classification of companies

in our London Share Service.

sophisticated and Smith-

Kline knows there is an open

door to Glaxo anyway," one

going to maintain earnings

SmithKline 321/2 to 8551.2p.

Shortly after London closed,

Footsie outperformer list.

FTSE Actuaries Share Indices

growth."

"The only clear mes-

However, analysts who

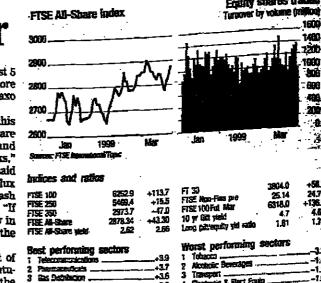
The argument went along

Bristol Myers Squibb.

group, plus news that Glaxo 5,469.4 and the FTSE Small- events in the Balkans and the market, but some observ- cent, Lloyds TSB up almost 5 than 4 per cent and Glaxo Wellcome up the same.

"Big is everything in this market; the institutions are back in the market and was a sparkling performance playing via the big stocks," by Wall Street, where the said one salesman. He said looked bleaker than ever. Dow Jones Industrial Aver- the prospect of a big influx age launched a fresh assault of personal equity plan cash was also behind the rise. "If you need to get big money in to the market you buy the leaders.

Turnover fell just short of the 1bn shares mark, eventually reaching 981.9m by the 6pm count, with non-Footsie



Funds scramble for BP

COMPANIES REPORT By Peter John, Martin Brice and Simon Bernholt

It looks like BP Amoco intends to squeeze fund managers until the pips

The prospect of a merger with Atlantic Richfield of the US raised the pressure on institutions that are still struggling to adjust weightings for the tie-up between RP and Amoco.

Dealers said soaking up another company in an allpaper deal could boost BP to more than 10 per cent of the Pootsie, "It's becoming the monster in the machine. You just have to have it," a trader said.

The squeeze effect is likely to be exaggerated by the cost savings that would be generated by an Arco deal, particulariy in Alaska.

However, the market was not prepared to bet the farm until it saw the fine print. From being up more than 50 in early dealing, the shares ended the day 40 better £10.77. Volume was chunky at 24m shares.

Steve Turner at HSBC Securities said: "The overlap and cost savings are significant, but we don't know the terms of the deal and how much of the synergies BP

will have to give away to Arco shareholders."

The swirl of corporate activity pushed up Shell Transport 121, to 42314 on turnover of 34m even though the company is unlikely to make any deals until it has

Railtrack attack of the jitters amid some time. reports of a tighter regulatory regime. The stock was once a market darling, but completely missed out on the FTSE 100 party as it lost

shares should react so violently to regulatory fears that have long been in the

Two factors that would increase volatility in the shares are the company's Network Management Statesorted out its cost-cutting ment, unveiled last week, and the appointment of the new rail regulator, but these seemed to suffer another have been known about for

It seems more likely that the shares suffered because investors have recently tended to shift away from classic defensive stocks such 1.5 per cent or 21 to £14.55. as Railtrack towards shares One seasoned trader likely to benefit in the early

express	ied s	urpris	e toai	the	part	or an	y reco	wery	Cycle,
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P/E ratio n		23.08	22.66	22.51	22.33	22,44	23 94	25.19	15.71
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otal stars traded (mpt	982.2°	1393.2	1652.5	2529.0	1390.6	
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Best and worst performing FTSE sectors

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such as British Airways and P & O.

Railtrack shares floated in 1996 at 380p, reaching a high of £17.68 in November as somehow encouraged the investors sought refuge from global market turmoil. However, a growing belief that economies, including the UK, were likely to avoid the worst effects of a recession. have seen Railtrack shares trade sideways. Since October they have traded around

P&O. which last week reached one of its highestever levels as it announced a shake-up in its corporate activities, lost some of its lustre and closed off 38 at 9131/2p. It had spent much of the past 10 years about 100p either side of 600p, but last week's news saw it surge through that trading range.

The 951'sp it touched on Friday was its highest apart from the £10.02 briefly reached last July. The move towards conversion to a maritime leisure stock has produced some valuations of the company near £13. Conspiracy theorists were

out in force over Glaxo Wellcome yesterday after news that the pharmaceuticals

NOTICE TO THE HOLDERS OF

ARBED S.A. DEM 216,600,000

2.50% Senior Convertible Notes due 2003 of which

DEM 112,245,000 are being outstanding as of this date

ISIN CODE: XS0044847977

In accordance with condition 'Redemption of Notes at the Option of the Company' of the Terms and Conditions of the Notes the 'Terms and Conditions', notice is hereby given to the hidders of Notes that the Issuer has decided no redeem on April 30, 1899 all Notes then outstanding at the Redemption Price per Note of DEM 4,323 85, together with account in the amount of DEM 98 96 per Note to be redeemed.

In accordance with the Terms and Conditions, the applicable Redemption Price of a Note together with interest paid and accrued interest to be paid thereon up to April 30, 1939 constitutes a yield to maturity of 6.25% per annum since the issue date thereof.

Each holder of a Note shall have the right until the close of business on the fourth Business Day preceding the date it. ed for the redemption of the Note to content such Note into Shares subject to certain limitations described in condition. "Conversion Rights" of the Terms and Conditions.

BANQUE GÉNÉRALE DU LUXEMBOURG

as Fiscal - Principal Paying - and Conversion Agent

Capitalised terms not otherwise defined herein shall have the respective meanings set forth in the Terms and Conditions

Luxembourg, March 30, 1999

sharply after opening at 581p at the start of last week.

Martin Evans, the Sutherlands analysts who has been persistently bearish on the stock, showed signs of thawing yesterday. "The market will be at least relieved that they have made serious inroads into their [£4bn] debt mountain. Short-term it can

Safeway was the best pertor review.

Football Club Mancheste United fell 4 to 2171:p ahead

Shares in information technology group Morse were down 5 at 245p ahead of the first day's trading on Tuesday. Blue Circle saw brisk trade of 4.3m following results at the bottom range of expectations, and the shares were off 41 at 363 ip. We remain distinctly scepti-

small engineer, was a penny firmer at 43:-p as it sage is that Glaxo wants to announced its first interim do a deal. It needs to if it is dividend for two years. The stock is above its nadir of 235p touched last year but Glaxo rose 83 to £19.79 and reached in 1995.

Frederick Cooper, the

get rid of a considerable the stock to the top of the pub sector came one step closer yesterday as Enter-However, the rise of 34 to prise Inns. down 7 to 373 p. made a hostile bid of 150p a 561p looked less exciting in share for Century Inns, up the context of recent trading.

Analysts were generally

pleased with the news that ICI was in talks with Huntsman Corp of the US and others regarding its disposal

former amongst food retailers, rising 153, to 2533, on a volume of 18m after Credit Lyonnais Securities rated stung into action and Jan the stock a "buy" in its sec-Leschly, its independent chief executive, would phone

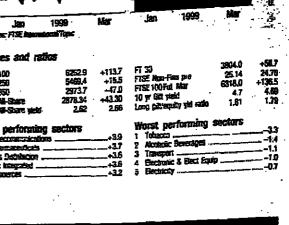
of interims on Tuesday.

A downgrade of GUS by had been around the block both Cazenove and Credit pler line. "They are not that Suisse First Boston sent the shares down 28 to 690p.

British Telecom recovered

Bristol Myers was up \$2 at some of last week's losses by rising 58 to £10.14. Vodafone closed up 46 at £10.94. News that ICI is about to The long-mooted consoliamount of baggage shunted dation in the fragmented

The shares had fallen 261/2 at 1411 2D.



■ FISE 100 MINEX FRITURES (JFFE) £10 per led index p +119.0 로 FISE 250 NOEX 유지대원 (LFFG) 510 per 16년

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For the Interest Period from March 30, 1999 to September 30, 1999 the rate has been determined at 6.86125% per annum. The amount payable on September 30, 1999 per U.S. \$1,000,000 principal amount of Notes will be U.S. \$35,068.61.

U.S. \$150,000,000

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Notes Duc April 2003

OPTIONAL EARLY REDEMPTION

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ON APRIL 15, 1999

referenced rease. "Redemption of a referenced rease." Redemption of Necare and Redemption Price" Dr. National favorating-famil. N V has decided to call it Bonds at 100% on April 15, 1999.

o de Negocios Argantaria, S.A.

30th March 1999

30th June 1999

U.S.\$ 65.49

U.S. \$1,309.72

March 30, 1999

Interest Rate

Interest Period

30th June 1999 per U.S. \$ 5,000 Note

interest Amount due

US\$200,800,000

Rothschilds Continuation Finance B.V.

For the period from March 30, 1999 September 30, 1999, the Notes will carry interest rate of £31% per anoma with an enter-amount of USEATLAS per USE 10,000 Mate

In Paribas

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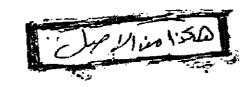
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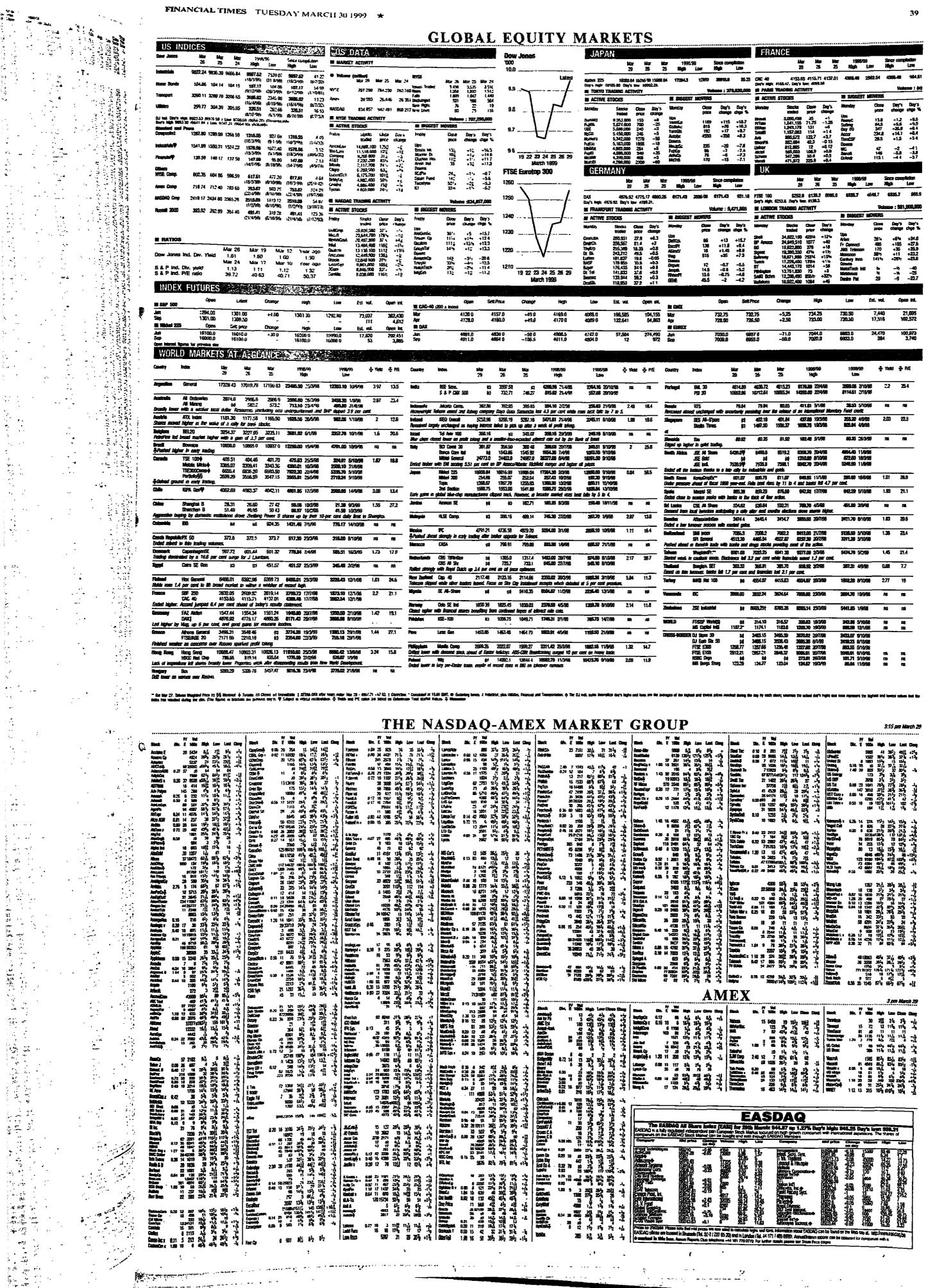
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STOCK MARKETS

Mergers inject new life back into bourses

activity meant equity mar- back into the market, by kets were able to shake off offering the prospect of that the conflict in Kosovo to signs of improving ecosome of last week's lethargy, improved earnings through was having an adverse effect writes Philip Coggan.

Weekend news of the deal between Nissan and Renault, underweight the market. the planned takeover of

A revival of global merger ways - by injecting cash time in New York.

Investors seemed as if they Atlantic Richfield by BP were looking for a reason to Amoco and the revelation of buy the market last week failed talks between Glaxo and takeovers provided the Wellcome and Bristol Myers spur. Wall Street was strong Squibb kept the speculative from the start of trading.

.... markets in a number of at 10,000 just before lunch- gain.

cost-cutting and by making on the euro, but very little Indeed, the weakness of the stretching valuations. single currency gave a lift to European bourses by

improving export prospects. The Frankfurt and Zurich markets both gained more than 1 per cent and Paris

Some of the recent volatil-There were further signs ity in markets has been due nomic growth. While higher growth should boost corpoinvestors reluctant to be evidence of a similar effect rate earnings, the prospect on the equities markets. has pushed up bond yields. Joe Rooney, global strate-

sald: "The downward trend to earnings revisions, which reached its nadir last November in the aftermath

to have been decisively bro-said the group had taken a ken with as strong a tactical underweight postrebound as has occurred this tion in US Treasuries.

cally been a favourable one for cyclical stocks," added Mr Rooney, "The case for gist at Lehman Brothers, cyclical exposure is as its cent." strongest in continental Europe.

40 cents to €43.15 but Vedior

Among blue chips, Royal

Dutch continued to warm to

the improved oil price back-

ground, adding a further

€1.65 at €50. Philips gained

€1.95 to €74.35 while in

financials ABN Amro added

Media groups were active.

VNU rose €1.25 to €34.75 and

ZURICH responded to the

early gains on Wall Street

plus a strong dollar with a

steady improvement. At the

close the SMI index was 78.1

Financials had an active

session with CS Group rising

SFt8.50 to SFr276.50 and UBS

adding SFr4.50 at SFr463.

Alusuise Lonza was also a

Elsevier gained 65 cents or

5.2 per cent to €13.25.

40 cents at €19.20.

higher at 7,086.3.

came off 45 cents at €20.55.

Takeovers help equity trial Average making a run notched up a 0.9 per cent of the Russian debacle, looks strategist at Norwich Union.

"If the oil price stays "A market backdrop com- where it is, US inflation If the adage is right and the German equities posed of a brightening out- could be 212 per cent in a look for earnings has typi- couple of months and 2% per cent by the end of the year." he said. That could drive Germany. bond yields up to 6 per

Mr Holtham believes such a bond market movement On the subject of bonds, could cause a 10-15 per cent

Gerald Holtham, global correction on Wall Street.

SFr1.660.

to SFr113.75.

low side.

weight Nokia continuing to

gain from the strong perfor-

mance of tech stocks on Wall

Nokia rose €1.50 to €140. a

the close, the Hex index was

just 2 points short of a

Tele Danmark and the bank-

ing sector sending the KFX

Brokers said trading vol-

umes were slim. In the cir-

cumstances a dramatic surge

for shipping group J Laurit-

zan dominated trading.

Boosted by disposal news,

the shares jumped DKr74 or

Written and edited by Jeffrey

Brown, Florian Gimbel, Paul

16.6 per cent to DKr524.

Gregan and Claire Barron

index down 2.42 at 196.85.

COPENHAGEN ended

index back to 5.000, where it closed last year. Analysts say the Dax is likely to remain under presfirm feature with investors sure during April and May. pushing takeover hopes back when the first-quarter to the top of the agenda. results of many companies Algroup gained SFr36 at are expected to reflect the impact of the economic and Before today's news confinancial crises in Japan. ference, Roche rose SFr245 south-east Asia, Russia and to SFr17,945, while rival parts of Latin America.

MARKET FOCUS

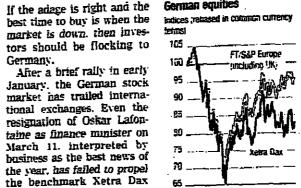
drugs leader Novartis improved SFr25 to SFr2.385. "A further downside factor is the risk of a correction on Ciba, boosted by positive the US market, if a substanbroker comment, rose SF14 tial interest rate bike there Nordic markets caught the is followed by a downward valuation adjustment," says eye on a day when trading Wolfgang Sawazki of West-deutsche Landesbank. "So olumes were mostly on the HELSINKI pushed up to there is much to indicate that the current phase of within a whisker of a record uncertainty will continue in high with market heavy-

the next few weeks."

However, the outlook is not uniformly bleak. The euro's weakness should have a positive effect on the perfresh peak for the year. At formance of German exporters in the second half. up 1.1 per cent at 6,466.01 -Although many investors were disappointed by the relatively large wage settle-ments won last month by IG lower with a bad day for Metall and other German trade unions, the euro's 8 per cent fall against the dollar since January Will partly offset higher unit

wage costs. Company earnings forecasts for 2000 are likely to be more promising than those for this year. And the prospect of share buy-backs. recently permitted by law for the first time in Germany, should increase the appetite of investors for German stocks.

to bright side



إيزل

Mr Lafontaine's departure seems certain to lift business confidence as Chancellor Gerhard Schröder's centreleft government adopts policies friendly to the private There is still hope of a

fundamental change in economic policy, and that is perfectly justified because Schröder has to do everything he can to meet his election promises of a significant reduction in unemployment." says Gerhard Grebe of the investment bank Julius Bār.

True, the government has gone ahead with the tax changes that provoked such hostility from insurance and energy companies, which complained before Mr Lafontaine's resignation that they would have to pay billions of D-Marks more in taxes.

But the world's largest reinsurer, Munich Re. acknowledged last week, the eventual tax bill is unlikely to be as big as first feared corporate tax reform in 2000.

The German stock market has priced in most of the bad news, but has yet to price in all the good news. "The market is technically oversold. and international investors are underweight in German stocks. This alone offers potential for a technical recovery," said Mr Sawazki.

Tony Barber

Energy sector Frankfurt loses its caution switched on by oil talks

News of a series of mergers in the pipeline gave Wall Street an early boost, lifting the Dow Jones Industrial Average close to 10,000 at midsession, writes John Labate in New York.

The energy sector stole the limelight on reports that BP Amoco was in talks to an early rise in oil prices.

Arco gained \$6% or more than 10 per cent to \$72, while Texaco was up 6.3 per cent or \$31/2 at \$5914. Among Dow shares. Chevron was one of the strongest performers, up 12" at \$8914

Other oil-related shares equipment and service comoany Baker Hughes rose \$1 at \$241 after Morgan Stanley raised its rating on the stock to "strong buy"

Nearly all Dow shares were higher, sending the blue-chip index 154.01 higher, a gain of 1.6 per cent. to 9.976.25. The broader Standard & Poor's 500 index was up 22.96 or 1.8 per cent at

1.305.76. Shares of Kingworld Productions were \$1% higher at \$31% on a report the company was in takeover talks was up \$元 to \$40点.

Leading pharmaceutical shares were higher on specu- C\$16.95. lation that Glaxo Wellcome other key producers. Bristol Myers Squibb was \$2% higher at \$61%. Warner-Lambert gained \$2% at \$70%.

Treasuries sold off, with sentiment dampened on new corporate debt issues and as oil prices rose in early trading. The 30-year Treasury bond lost in at 94%, sending the yield higher at 5.639 per

High-tech shares were strongly bid, sending the Nasdaq composite index 49.88 higher to 2,469.05. Sun acquire Atlantic Richfield. Microsystems climbed \$6 or Also belping sentiment was more than 5 per cent to \$122's in the anticipation surrounding its alliance with

> America Online. Online bookseller Amazon.com was up \$10% to \$149% after the company said it would launch an online auction site. eBay shares were down \$5% to

were also in demand. Oil \$149% on the announcement. TORONTO continued to push higher in early trading. adding to the gains built up in the final three days of last week as Wall Street made a rampaging start to the

Financials stayed in Canada gained 45 cents at C\$69.40 and Toronto-Dominion put on C\$1.45 at C\$67.20. Canadian Imperial improved

40 cents at C\$39. Both golds and telecoms

In telecoms, BCE lost 70 of the UK was in talks with cents at C869.70 while Northern Telecom rose C\$1.70 to

the 300 composite index was As stocks climbed. US up 30.80 at 6,666.0.

Telmex upgrade fuels

strongly, boosted by the bounce for US equities and a broker upgrade for Telmex. the market heavyweight.

Brokers said volumes were thin with many traders making an early start to booksquaring ahead of the Easter long weekend. Morning trading volumes extended to less than 20m shares.

It took only limited buying to push the market higher. Telmex was an obvious

Mexico City advance MEXICO CITY rallied feature following an upgrade

from "no action" to "buy" at Paribas. Telmex added 75 centavos, but by mid-morning the gains had been pared to 50 centavos at 30.75 pesos

At midsession, the benchmark IPC index had improved 54.14 at 4,790.72. SAO PAULO made a

steady start, retracing part of Friday's modest losses in early trading. At midsession. the Bovespa index was up 23

EUROPE

Shares in FRANKFURT rallied, with the Xetra Dax rising 67.62 or 1.4 per cent to 4,867.21, seemingly pushing to one side the caution that sent the market down 6.1 per cent last week.

Leading utility Viag led the performance charts on the weekend news of management changes at Alusuisse Lonza These were widely interpreted as outting Viag's planned takeover of Algroup back firmly on track and in the process lifted the utility's shares €31

or 6 per cent to €511. Elsewhere in the sector Veba rose €1.05 to €49.95 but RWE was a dull market.

The FTSE Eurotop 300 index fall 19.11 or 1.54 per cent to 1,256,77. See Euro Prices page.

closing all square at €42 after a downgrade from "market performer" to "market underperformer" at J.P. Morean.

insurance stocks, notably weak on Friday, rallied after Munich Re attempted to clear some of the fog away from the vexed question of heavier taxes. It said new tax rules would be less onerfavour, notably the leading ous than anticipated, and stock sharply undervalued banks where Royal Bank of the shares jumped €3 to in the face of an industry €184. Allianz gained €4.50 at €285.50.

In advance of this week's were mixed. Barrick added €80.98 ahead of what is response to the company's with broadcaster CBS, CBS, 10 cents at CS26.45, but rival widely seen as an upbeat mining blue chip Placer annual conference tomor-Dome lost 15 cents at row. BMW. which holds its 534.56 on the AEX index. €651.50, while Volkswagen

hardened 13 cents to €60.13. PARIS moved higher, with At the noon calculation, the CAC-40 adding 37.94 at

> Renault improved investors warmed to the latest assessment from the management of the motor giant of the tie-up with Nissan of Japan. The shares, up 7 per cent at one stage, came off their session highs to close €1 better at €35.

Rising oil prices and the agencies. Unique rose €2 to €28.30 and Brunel €1.50 to €18.90. Randstad improved

merger between BP Amoco and Atlantic Richfield buoyed French oil stocks. Elf jumped €6 to €131 and Total €1.40 to €114.0.

Defence-related stocks stayed firm. Thomson CSF led the way, rising €1.50, or 5.4 per cent to €29.50 after announcing a deal worth £23m with the British Ministry of Defence to supply communication systems for military aircrafts.

Hotelier Accor was top performer, rising €14.10 or 6.4 per cent to €234.80 ahead of its full-year results due out today. Analysts at Lehman brothers considered the upturn. France Telecom, however.

performed poorly, falling run of news events, motors €1.25 to €71.75 after Goldwere buoyant. Daimler- man Sachs cut its price tar-Chrysler added 98 cents at get to €82 from €86.50 in 1998 results.

AMSTERDAM added 9.0 at annual news conference although most of the day's today, improved €23.50 to action was on second-line stocks following the news that jobs agency Content was in takeover talks. Content surged €11.20 or

51.4 per cent to €33 on news of a possible bid from Creyt of Belgium. The announce ment sparked talk of an immediate counterbid from a Dutch employment agency. with most commentators pinpointing Vedior as a possible additional suitor. Among other Dutch job

Gold rally rescues Jo'burg

SOUTH AFRICA

Shares in Johannesburg Activity levels were modest ended above the day's lows, thanks partly to a late rally among the industrial sectors

all share index was off 21.6 improved 7.3 at 2,840.6.

at 6,439.0 after touching a low for the session of 6,410.7. with many traders running down their books ahead of

Industrials ended 4.3 bet-At the close of trading the ter at 7,539.0 while golds

the Easter break.

and golds.

Tokyo splutters to end of year

ASIA PACIFIC

Investors in TOKYO wound down their activities ahead of tomorrow's fiscal year-end and the benchmark index closed little changed. The Nikkei 225 Average ended 8.15 lower at 16,008.84, after trading between 16.185.8 and 16,002,28 during the day.

Other indices also moved narrowly, with the weighted Nikkei 300 index losing 0.15 per cent or 0.39 to 254.68, while the broader Topix index of first-sector stocks improved 0.07 per cent or 0.89 to 1,268.67. Volume was low at 379m shares, with 657 rising and 525 falling. The securities sector fell

3.5 per cent - the worst performer of the day - after the three biggest brokers warned on Friday that they would be posting heavy group net losses for the 1998 fiscal year. Nomura Securities lost 4.2

per cent or Y55 to Y1,270. Daiwa Securities fell 1.9 per cent or Y12 to Y635 and Nikko Securities was down 1.9 per cent or Y11 to

Sumitomo Metal Industries was the heaviest traded stock of the day and climbed 5.5 per cent or YS to Y153, its shares were bought after it announced on Friday that it would jointly develop and produce silicon waters for

Hong Kong Hang Seng index (1000)



semiconductor devices with Mitsubishi Materials.

A similar announcement from Softbank last week that it would join Microsoft and Yahoo Japan to sell cars over the internet also gave momentum to its shares. Softbank closed up 5.3 per

cent or Y640 to Y12,800. In Osaka, the OSE index was up, gaining 79.79 points to 17.017.52.

HONG KONG moved lower in thin volumes, hit by unfavourable corporate news plus negative pressure from the derivatives markets ahead of today's futures

expirv. By the close of a session in which turnover had trailed back to HK\$3.7bn from

Hang Seng index was off

of 10.628.06.

Brokers said futures trading had weighed heavily on sentiment, with the March futures contract that expires today sliding 115 points. The total number of declining shares in the cash market outpaced risers 350 to 116. The mood was also hindered by results from New World Development, which fell short of expectations.

1.9 per cent to HK\$15.50 and the rest of the property sector moved lower in sympathy. Sun Hung Kai lost HK\$1.50 at HK\$54 and Cheung Kong HK\$1 at HK\$56.

SYDNEY ended lower in spite of gains by selected energy stocks. The All Ordinaries index, which hit a record high on Friday. closed off 22.6 at 2,974 in modest profit-taking. Volumes were dull.

BHP unwound some of the strong gains built up ahead of Friday's better-than-expected results, shedding 55 cents or 3.9 per cent at A\$13.70. Strong international oil prices sent Woodside Petroleum and Santo up 8.9 cents and 7 cents respectively to A\$9.63 and A\$4.90.

TAIPEL succumbed to

recently buoyant electronic

114.84 or 1.1 per cent at sector leading the way down. 10.688.47 after touching a low The weighted index closed The weighted index closed 131.57 or 1.87 per cent lower at 6,901.68, after surging briefly above the 7.000 level. ing April index futures

which has fuelled the market's rally this month, was hardest hit by faltering confidence. Fears of declining chip New World fell 30 cents or prices weighed on the semiconductor makers, with United Microelectronics falling T\$2.50 to T\$58. Macronix shed T\$1.30 to finish at

suggested increasing inves-

tor caution. The closely

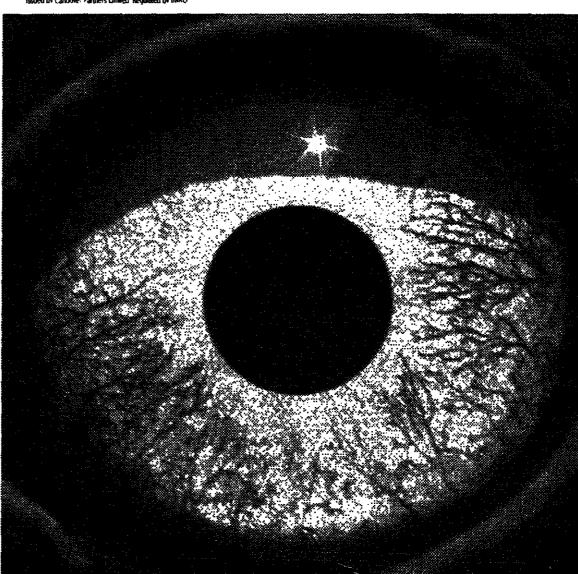
watched electronics sector.

er-than-expected 1998 losses. SEOUL was depressed by profit-taking and arbitrage selling ahead of tomorrow's fiscal year-end. The composite index closed 8.72 or 1.43 per cent lower at 601,07, with decliners outnumbering gainers 596 to 217.

T\$30.60 after reporting larg-

Banking stocks bore the brunt of the selling with Hanvit Bank shedding Wonl.050, or 8.7 per cent. to Won11,050. Kookmin Bank fell Won650 to Won11,850. while Hana Bank lost Won550 at Won13,000. Net sales by foreign inves-

tors put a further damper on sentiment. But analysts expected the market to HK\$-1.5bn on Friday, the profit-taking, with the rebound after the start of the Issued by Candover Partners Limited Regulated by IMRO



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)ax can look

o bright side

Rising above its troubled neighbours

Singapore is weathering the Asian financial crisis relatively well, but is having to respond to a threat to its competitiveness, reports Sheila McNulty

As the regional financial cation of its budget, as in crisis intensified this past previous years, to defence, at year. Singapore's bettermanaged economy became It recently agreed to buy an affront to its jealous eight. US-made Apache neighbours. Indonesia attack helicopters and sought to put the city-state shipped eight jet aircraft to in its place by dismissing it France for one of its many as a dot on the map of south- training missions abroad. east Asia. Hong Kong attempted to undermine just as aggressive in with a 15 per cent cut in Singapore's achievements by attempts to attract foreign tagging it a controlled soci- investors, which analysts ety. And Malaysia seized note serve the same purpose control over airspace it had as its defence links of giving shared with Singapore for outsiders a stake in what decades in just one of many attempts to lash out at its closest rival.

has found maintaining relations a delicate affair, one it has managed largely by risdefending itself but going no further.

It has taken comfort in its allies further afield. And Goh Chok Tong, the prime minister, has spent much time on the road this past year, personally attending to

25 per cent of total spending.

The government has been happens to the city-state. Singapore already is a global manufacturing and business The ever so gentle diplo- centre for more than 5,000 macy that has for years international companies. It characterised foreign rela- is the biggest hard disk drive tions in the region has been manufacturer in the world swept away by the tide of and the world's third largest discontent that flowed in oil refining centre. Caltex with the crisis. Singapore recently relocated its global headquarters to the city-

Singapore has been able to ing above the provocation - continue spending time and money courting foreign investors throughout the crisis as its economy is not in long-standing policy to main- the dire shape of those tain strong political and around it. Although growth defence links with powerful slowed sharply from 8 per cent in 1997 to 1.5 per cent in 1998, Singapore nevertheless managed to maintain growth while its neighbours suffered severe contractions. The

competitiveness after currencies in surrounding countries depreciated far further. pushing down relative costs labour accounting for 50 per cent of business costs, the government addressed that overall wages, which the

whimper. Not that anyone would have expected otherwise. "It's not a society which challenges," a diplomat notes. It has been taught not to by years of regimented learning in schools; a barrage of fines for violating regulations on everything from the sale of chewing gum to failing to flush public toilets; propaganda on sign boards and subway cards urging everything from childbirth to courteousness; and restrictions on rights such as free speech.

"The younger generation knows something is amiss. I think a lot of them really want to know more," says Chee Soon Juan, secretarygeneral of the opposition Singapore Democratic Party. "They've been in a straitjacket all these years."

It will be difficult to break

public accepted without a

recent months by speaking in public without the required police permit to challenge what he says is a regulation violating his constitutional right to free speech. He was arrested and fined - and as a result he is now barred from running for office for five years. But diplomats say the

> authorities have shown a touch more tolerance by engaging in debate on the issue in the government. influenced press. Many Singaporeans believe the issue is important but do not support attempts to challenge the government when it is working hard to steer the city-state safely through the regional financial crisis. Support for the PAP has

> grown in the past year, a ness it has displayed, com-

vacuum in Indonesia. The spite of the additional presgovernment has refused to sure that puts on companies, bail out favoured companies as it works feverishly to or give the public undue stake its claim to being the help, instead forcing everyone to do their part to pull through.

Lay-offs all-time high of 28,300. And even Singapore's biggest and best have taken hits. The Development Bank of Singapore, Singapore's most prestigious bank and the biggest in south-east Asia, suffered a 49 per cent drop in group net profit to S\$222.8m for the year ended December 31. Keppel Corp. the government-linked conglomerate, suffered a net loss of S\$144.6m for the year ended December 31, swinging from net profit of S\$171.1m in the previous year. It announced plans to cut its 9,000-strong workforce by 10 per cent and

second biggest financial centre in Asia, after Japan. while its neighbours are

seized in crisis. It is also forcing the retraining of workers and a change in curriculum so Singaporeans will be able to cope with efforts to transform the city-state into a knowledge-based economy. And it is putting the finishing touches to efforts to transform Singapore into an electronic economy as Malaysia only dreams of becoming a high-tech hub.

"Relative to the economies in the region, we have this window to prepare to leapfrog into the future," Mr Goh says. "The other countries are seized with the immediate problems." All of which explains the animosity of its

vice president of the Roundtable group formed to give forum through which to express their views. "We share very little similarities with our neighbours. Even as chairman of the standing when the crisis comes, everyone is in crisis except

Singapore. They all say Singapore should help and Singapore says it is so vulnerable so it must save its money." Singapore did, however, help Thailand, but Malaysia did not want any strings attached to its assistance and Indonesia balked at the

in particular, seemed to feel Singapore should be more "Singapore will help Indonesia within the limits of our differences, and work for the ability ... After all, we are

Annual country report

Amid these strained relations, Singapore has the unenviable task of keeping the region united this year committee of its diplomatic club, Asean, or the Association of South East Asian

It will not be easy. The crisis has pushed forward a new generation of leaders in the region, some of whom do not even pretend to adhere to the old doctrine of noninterference in members' safeguards attached to the affairs that maintained a city-state's pledge. Jakarta, sense of decorum in the region for so long. The forum is needed to give the free with its assistance, countries a reason to engage one another, despite their Given the resentment



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Goh Chok Tong, prime minister of Singapore, has been successfully guiding the country through the regional financial crisis amid a sea of regional instability. In this interview he explains to Shella McNulty his views on where the city-state is headed and why he believes its course has antagonised some of his neighbours

'It may take us three years, but we will recover'

Singapore relative to the rest of the region?

A: "In a relative sense, we have emerged stronger than before. In the absolute sense, of course, our Singapore dollar has been affected, the economy has suffered a recession. But, relative to the economies in the region, we have this window to prepare to leapfrog into the future. That's true. So it depends on how we use the advantage. We are now investing heavily in workers' retraining, in education; in short, in upgrading our national capabilities as well. The other countries are seized with the immediate problems. They've got to put their economic structures right, those that have been damaged by the crisis, whereas we don't have to, so we can concentrate on improving our capabilities, both national as well as individual for the process after the crisis is over.

Q: How do Singapore's efforts to be more competitive place you with respect to Hong Kong?

costs down through tax reduction, adjustment of costs by the market - in property prices, rentals and, very importantly, wage cost reduction. We are now, I think, more competitive than Hong Kong because Hong Kong has a fixed exchange rate. They are stuck with that, and their interest costs are very high as compared to ours. As of now, we are more compentive than Hong Kong. But we don't just look at the immediate future. It's the longerterm future that we're con-

cerned about. That means

after the crisis is over, when

there's recovery, where does

Singapore stand? That's

what is important. I have got

our eyes are not cast on

Hong Kong, it's the world

market. Hong Kong is just

another competitor, but

we are not seized with

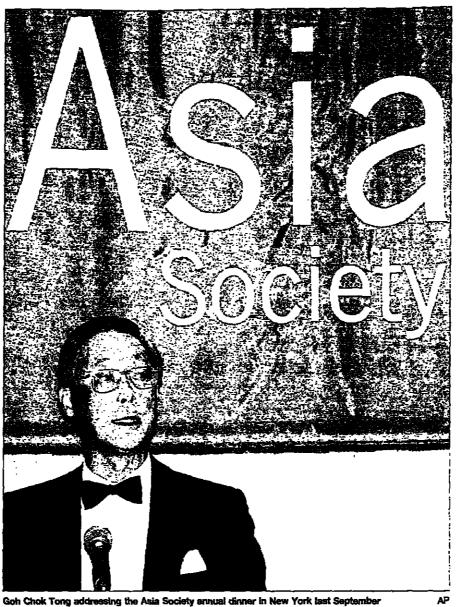
Hong Kong's competitive-

Q: How has the perception that you have taken the lead over Hong Kong affected your relations?

Q: How has the crisis placed A: "We were able to bring A: "The economic crisis has made them rather sensitive. you know. It's their own internal problems. But some segments of Hong Kong society became rather sensitive, so sometimes they misread what we say, what we do. Singapore trying to do Hong all nonsense. That has been put right. Mr C. H. Tung Hong Kong's chief executive) understood that from me, personally. He has also understood. He (Mr Leel said that there is no desire on the part of Singapore to do Hong Kong in. In fact, we view Hong Kong as a very impor-We need two hubs for the region. Not just one. Two power stations are always better than one for the

> Q: What impact has the change in government in relations with the country? A: "A new balance has to be

region, and we can do business by selling electricity to



tries, between the new leadership in Indonesia and the lyst to bring in more investcurrent leadership in Singapore. There have been high expectations by the Indonesians of assistance from Singapore to Indonesia. I think their expectations were a little unrealistic. We are, the situation. So that has after all, a small country created, I think, some prob-

found between both coun- with limited resources. So lems between the two countries. But after the election. whoever is in charge of ments into Indonesia, not as Indonesia, Singapore will a country granting abundant have to deal with him. And financial assistance to Indonthen we hope to find a new esia. That's not possible. So expectations of Indonesia did not quite meet the reality of

brought with it calls for freer speech at home. Will

"Well, it's a very small call by Dr Chee (Soon Juan) and a few people. Basically. there is freedom of speech in Singapore within the laws. within responsible limits. Dr Chee is free to say what he wants to say. But, of course, one cannot break the law in order to have free speech. You see, the laws are there. As for the (Hyde Park-like) speakers' corner, yes, senior minister has mentioned that. I, myself, take a different view. I think, let it evolve. I don't think I would concede to move into IT. It is the way a speakers corner so to the future. But we are

quickly. Now, where do you put a speakers' corner? And I think if you were to concede now. But we will let the society evolve. Giving them more space to speak is not a problem. But it must be done in the context of law and order. And do not forget that this is a multiracial society where religion can still become quite sensitive. So I will not move too quickly. Somebody can just go to the peakers' corner and talk about religion and incite feelings against some other religions in the name of freedom of speech. By the time we nab him and charge him in court, it may be too

9: Throughout the crisis Singapore has focused on its long-term objectives, such as taking a lead in the IT area. Why is this so

important to Singapore? A: "We see this as the future growth area. Electronic commerce, ability to write software, programs, linking up with other e-commerce centres in the world - it is going to be a growth area. Just look at the IT stocks, internet stocks, the value which they have created for those with the websites and want to move into this

growth area. Second, it's also a means for us to improve our productivity. We have a fairly big economy relative to our neighbours on a per capita basis. Our gross domestic product is about the same as Malaysia 5. although Malaysia has about five or six times our population. So, how do you run such an economy? You have got to be more efficient. So IT enables us to increase the productivity for banking, for business, for your office work and so on. So you need going in before others move in to this area. We've got a it's surely at the wrong time, start. But this is a race. We want to widen the distance between ourselves and others. And. again, the competition is not with our neighbours here. It's the other countries elsewhere - Australia, New Zealand, Britain, countries which are computer-literate - which are far advanced in IT.

> Q: You have been travelling regularly outside the region in recent months. What is the message that you have been carrying to other nations?

A: "My message to them is, don't write off Asia, don't write off Asean. Asia, Asean are passing through difficult moments. These are temporary. It may take us two years. It may take us three years, but we will recover. And don't write us off. The time to make friends, to encourage private investments, investors to maintain leaders elsewhere. Singapore has got the luxury of time. I can travel quite freely. But the other countries, which are in some difficulty, their leaders can't travel so freely. the ideas. We, therefore, So I have got to do some

Singapore sectoral economic growth

Percentage change	over same period of p	revious year					
1997			1996				
	4th quarter	Annual	1st quarter	2nd quarter	3rd quarter	4th quarter	Annual
Total	7,9	8.0	6.2	1.6	-0.6	-0.8	1.5
Manufacturing	8.7	4.5	6.5	-0.4	-4.2	-2.7	-0.5
Construction	16.8	15.0	15.5	7.9	-0,2	-5.3	3.9
Commerce	2.9	5.7	0.9	-4.5	-5.9	-6.3	-4.0
Transport & Communications 8.3 9.2		6.9	6.3	4.1	4.7	5.5	
Finance & Business Services 9.9		11.3	6.6	2.2	1.8	21	3.1
Percentage change	over previous period (annalized)					
Total	2.8	8.0	-1A	-3.2	-0.4	2.1	1.5
Manufacturing	-0.5	4.5	-5.8	-6,8	-3.3	5.0	-0.5
Construction	7.8	15.0	1.4	-2.9	-6.5	-12.5	3.9
Commerce	-2.6	5.7	-9.0	-72	-4.7	-4.0	-4.0
Transport & Communications 5.7 9.2		5.2	6.8	-1.0	8.4	5.5	
Finance & Business	Services 4.3	11,3	0.3	-3.9	7.0	5.1	3.1

Source: Suggestion Department of Statistics

THE ECONOMY by Sheila McNulty

In good shape, but alert to competitiveness worries

Surrounded by hard-hit economies, Singapore sees the need to become a knowledge-based economy to secure its future

One by one the crisis-hit ber, which included a 15 per economies of south-east Asia cent reduction in overall sank into recession this past sank into recession this past wages. After years of budget year, and Singapore was surpluses, high savings and unable to avoid the same a stable currency, it could fate. But its downturn, while afford to go into what is representing a sharp deceleration from 8 per cent growth this year, of S\$5.1bn. recorded in 1997, was far less

At the end of last year Singapore reported 1.5 per cent growth for 1998. The city-state had gone into the crisis in far better shape than those around it. Its better-managed companies have a reputation for being cash rich instead of heavy bor- by paying unemployed rowers. Its banks had not extended loans beyond their ground and fill them up means. And its government had, through the boom economy is too open. Fiftyyears, kept its head out of four cents of every dollar the very clouds that Malay-spent in Singapore leaks ral resources, so much of its sia was in such a hurry to abroad through imports, so growth is dependent on outascend to in erecting the tall-est buildings in the world. ernment spending is small." So when the crisis provoked panic all around, Singapore watched calmly as Malaysia ventionism and Indonesia simply lost control,

fighting," says Lee Hsien Loong, deputy prime minister. "We must continue to look ahead and take measures now which will show results in five or 10 years."

The announced a S\$2bn (\$1.16bn) package of cost-cuts and followed by a S\$10.5bn cost cutting package in Novem-

expected to be a rare deficit The cost-cutting was to

make Singapore more competitive amid a region of depreciating currencies and collapsing prices. And the spending on infrastructure supported the city-state's long-term needs. "We cannot do Keynesian pump-priming, boosting aggregate demand people to dig holes in the again," Mr Lee says, "Our

There was an occasional private grumble about why the government was not retreated from the interna- doing more as lay-offs tional financial community reached an all-time high of behind capital controls, 28,300, while overall trade Hong Kong turned to inter- shrank by 7.5 per cent, visitor arrivals declined by 13 We have the luxury not Asian dollar market conto be preoccupied with fire-tracted by 10 per cent, and private consumption spend-

ing declined 0.1 per cent. But even when the governcent cut in overall wages, nobody took to the streets in government protest. The authorities had spent months spreading the message that if everyone spending measures in June, worked together fewer jobs would be lost. Even the unions backed the plan.

wage cuts effected without any turmoil, not because our unions have been cowed into submission but because our unions are strong enough to carry the ground in this painful exercise," says Lim Boon Heng, secretarygeneral of the National Trades Union Congress and

minister without portfolio. "We participated in the decision-making on how much to cut in wage costs. We asked for justification. When we were satisfied that the case was proven, we set out to explain to unionists." It is clear that Singapore is remarkably adept at managing its own domestic econ omy. But, because of its

small size and lack of natuside forces, beyond its control. Singapore's manufacturing and services sectors require demand far in excess of that generated by its 3m people to power the econ-

The government made clear its reliance on the outside world when it said the per cent, activities in the sharp downturn was mainly due to three factors: deepening recessions in most of Asia resulted in a drop in external demand; the decline in exports was exacerbated ment announced the 15 per by the erosion of its cost competitiveness given the greater depreciation in regional currencies; and global over-capacity in electronics had hit manufacturing. How Singapore does this year will, once again, depend on the economies of the

"We have been able to get region and beyond, "All they can do is wait for the international economy to pick up speed so they can ride on this," says Kostas Panagiotou, senior economist at Kim

Eng Securities. The government is forecasting minus one to plus one per cent growth this year. The predictions of private-sector economists range from minus three to plus three. But what concerns them is not so much the next few years but how Singapore will fare beyond that, five to 10 years from now.

Singapore is feverishly working toward becoming a hub for electronics, petroleum and petrochemicals, engineering, life sciences. education and medicine. It also wants to be a regional financial centre and base for logistics, communications. and multinational headquar-

Economists worry that these ambitions are, once again, dependent on outsiders to work. But the government is confidently forging ahead. And it is investing heavily in retraining workers to help the city-state progress to a knowledgebased economy. Economists caution that it is difficult to upgrade skills, particularly of older or uneducated workers, and that it will take time. The authorities are not deterred. "We are always worried about reaching our goals," says Liew Heng San. managing director of the Economic Development Board. "It keeps us on our

Appetite for reform dulled by economic security

While Singaporeans may seek stability in the face of the region's present financial crisis, there are signs of a government willingness to accommodate change

Last year, Gandhi Ambalam, vice-chairman of the Singapore Democratic Party (SDP), failed to show up for a discreet meeting planned the thick of a bustling Raffles Hotel bar. This year, the opposition politician boldly threw open the doors of his office. In a country as guarded as

POLITICS by Sheila McNulty

Singapore, these are the subtle signs one must take note of to detect the ever-so-slight changes in the political landscape. For many Singaporeans are fearful of being seen criticising the adminis-

tration. The US report on Singapore Human Rights Practices for 1998 notes: "The government's authoritarian style has fostered an atmosphere inimical to fully free speech and the press." But the People's Action Party (PAP), which has ruled since the city-state obtained autonomy from the UK in 1959, has no reason to grant concessions now. For while there were a few hushed complaints last year about the government's failure to do as much as surrounding countries to alleviate pressures brought on by the regional financial crisis, none is heard these days.

Singaporeans now realise their economy was never in as bad a state as neighbouring ones. As the months passed, they watched Indonesia descend into total chaos and Malaysia alienate itself from the international financial community by imposing capital controls. By year's end. Singaporeans could not help but be grateful that the PAP, with 81 of 83 elected parliamentary seats, was

steering them steadily and securely through the crisis. "We are doing well, so of course the prestige of the government must go up." Goh Chok Tong, the prime minister, says confidently. Diplomats and political

analysts agree that it has. But they also note that this has historical foundation: people seek stability in times of distress and change in times of affluence. So it is when the crisis has passed. they say, that the authorities might, once again, come under criticism. And if they are serious about wanting to steer their people in a new direction. by promoting creativity and risk-taking, after boundaries and follow orders, they will have to ioosen their hold.

This kind of atmosphere



Chee Soon Juan is issued with a summons for making an alleged litegal speech; he was later fined AP

calls for change," one diplomat says. A few have already been sounded. Chee Soon Juan, secretary-general of the SDP took the lead several months ago, marching into the financial district twice to speak to the hundreds milling around without first obtaining the required police permit. He insisted the need for a permit violates his constitutional right to free speech.

And he was arrested.

However, observers detected more tolerance. Mr Chee was charged with speaking in public without a permit instead of something more serious, such as inciting the public. But that did not mean the authorities were easy on him. He was fined \$\$1,400, and sentenced to seven days in jail if he did not pay, for the first offence and fined \$\$2,500, and sentenced to 12 days in jail if he did not pay, for the second. A fine of more than S\$2,000 bars him from running for

parliament for five years. But Mr Chee believes it is more important to create awareness among Singaporeans of the need for change than to hold office. The authoritles have indicated, years of teaching them to since Mr Chee began his stay within acceptable campaign, that they accept ject. And senior minister. the need to be a bit more open

Mr Chee was also cited for violating regulations by sellcannot operate without a ing in the streets signed freer flow of information, copies of his book on Asian presumably would not need and it is going to give rise to political dissidents. Never- a permit to speak.

theless, he continues to sell them and reports that the police swoop in to warn him to pack up or they will put, though, and they do not

return. "Now there is a greater attempt to accommodate. In the past, they would have

'We are doing well, so of course the prestige of the government must go up'

been more robust," says Zulkifli B. Baharudin, vice president of the Roundtable. a group formed to give those outside politics a forum through which to express their views, and one of nine "prominent citizens" the government nominated to serve as members of parliament.

enced media has even encouraged debate on the free-speech issue by running guest columns on the sub-Lee Kuan Yew, has said Singapore will probably set up a sort of "Hyde Park," in reference to the speakers' corner in London, where one

"The very fact that the No 1 man has opened his mouth shows the rippling effect this has created," Mr Ambalam return to cite him. He stays says. And this has give. heart to people like Mr Zulkifli. who wrote a guest col-

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umn to press for it. "We believe that the establishment of free-speech venues is an incremental step that Singapore can well afford to take," he says. Indeed, it is the minimum that should be expected for a society that aims to be a developed, cosmopolitan and great city."

But some government officials insist Singaporeans would not want that Mr Chee counters that they could not possibly know what the people want. "Singaporeans, in this climate of fear, are very unwilling to talk about these issues and to be critical about the regime." And, at this point, there is only so far the government is willing to go to encourage them. With political discord sweeping through much of the region More telling, perhaps, is in the wake of the economic that the government-influ-crisis, the authorities see little point in tempting their

own fate. "It's a very small call by Dr Chee and a few people, Mr Goh says. "I don't think I would concede a speakers' corner so quickly... But we will let the society evolve. Giving them more space to speak is not a problem, but it must be done in the context of law and order."

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FOREIGN POLICY by Sheila McNulty

Close neighbours key to maintaining stability

While the city-state has always pursued close relations with the major powers, it sees the unity of the Asean family as being of overriding importance

Goh Chok Tong, the prime minister, plays down his frequent trips abroad since the east Asian financial crisis begon. "It's to keep in touch with friends and make new friends.

He says the message he carries with him is not to write off the region because of its "difficult moments". But diplomats believe the (ear of how much worse those moments might become is what has sent Mr Goh reaching out for closer

ties with allies abroad. Singapore is in a precari-ous position, its 3m people and they are enclosed by the hestile. Malay-dominated Moslem countries of Indonesia and Malaysia, with combined populations of about away by bout. Malaysia is iinked by a causeway.

As Indonesia descended into chaos last year, mobs. Singapore's defence capabilitook out their aggressions on Chinese, whom they foreign countries to the cityattacked and raped, forcing state. But Tommy Koh, many to flee, distrought, to ambassador-at-large Singapore. When Malaysia's attached to the Ministry of political and economic crisis intensified, Kuala Lumpur sought popular support by stoking anti-Singapore senti- because of the economic criment against the country's sis: it has consistently longstanding rival.

Singaporeans say Indonesia and Malaysia are so region, the major powers used to governing the Chi- and the world. nese minorities in their own Singapore are not only doing comparatively better, but also that they refuse to "bow and scrape" to their bigger

heightened its defences. Singapore conducts military training in the US, Australia. New Zealand. France. the Philippines, Thailand, Brunei and Indonesia. Though it has always pursued close relations with the major powers, political analysts report the city-state has intensified efforts to ensure

powerful allies back them

should the situation deterio-

Early in the crisis, Singapore offered the US deep-water naval berth facilities. Teo Chee Hean, second minister for defence and minister for are predominantly Chinese, education, says Singapore has long believed the US presence in the Asia-Pacific is important for its overall stability. This past month Singapore agreed to huy 200m. Indonesia's closest eight. US-made Apache joint is only half an hour attack helicopters and shipped eight jet aircraft to France to train in Europe.

In addition to heightening ties, these efforts tie in the Foreign Affairs, says Singapore has made no adjustment in its foreign policy sought to be relevant and useful to its neighbours, the

Mr Koh notes Singapore is countries that they cannot a proactive member of the accept that the Chinese in regional diplomatic club, Asean - the Association of South East Asian Nations which also groups Malaysia, Thailand, Indonesia, the Philippines, Brunei, Vietnam, Relations became so tense, Laos and Burma. It hosted diplomats say, the city-state the first ministerial confer-

Organisation. And Singa-pore's soldiers and police have participated in several UN peacekeeping operations.

Despite efforts to build relations further afield, Mr Koh insists, the immediate region is of primary importance. That was highlighted in Mr Goh's National Day speech, in which he spent 15 of the 28 pages discussing his neighbours. Singapore has tried to help them. When the crisis struck, the citystate contributed to the International Monetary Fund's rescue package for Thailand. And it went on to pledge US\$5bp to help create a trade credit financing

scheme for Indonesia. But Jakarta balked at some of the safeguards. "There have been high expectations by the Indonesians of assistance from Singapore to Indonesia," Mr Goh says. "I think their expectations were a little unrealistic. We are, after all, a small country with limited resources."

Relations became particularly strained after B. J. Habibie took over as president of Indonesia. He resented comments Singapore had made about how the market might react to his appointment and since then has proceeded to dismiss the city-state as a dot on the map of south-east Asia and a country of "real

Singapore fared no better in attempting to assist Malaysia. It was prepared to provide US\$2bn but wanted assurances on Malaysia's supply of water to the citystate. Kuala Lumpur did not want any strings attached,

countries have numerous disagreements, ranging from railway station on Singapore's territory to Singapore's refusal to loosen restrictions on the release of money Malaysian workers contribute to the national pension fund,

Diplomats worry that tensions between the countries will intensify when they sit down to tackle these issues. The crisis has also brought a breakdown in Asean's policy of non-interference in one another's internal affairs. Among the new generation

of leaders the crisis has helped install in Indonesia, the Philippines and Thailand, there is a newfound willingness openly to criticise members. Officials in all three expressed concern about the treatment of Anwar Ibrahim, Malaysia's sacked, beaten and jailed deputy prime minister something their predecessors never would have done. "The Asean culture is changing towards greater trans-

parency." Mr Koh says.

Indonesian

ate to take the helm.

Singapore has, however, be best suited, it cannot step been reluctant to abandon forward as that would the doctrine of "non interference" because of its "overriding concern to maintain the unity of the Asean family", he says. Singapore needs the grouping to maintain a forum in which it can keep its neighbours engaged. Diplomats say that after the frontational as its more Kong's financial services sec-

departure of Asean's interventionist approach to retary, Rafael Hui, derided more, to defend itself but, as long-standing leader, former the crisis has pushed it to second place, behind Singa-President Suharto, Asean is rudderless pore, in the minds of many and nobody seems appropriinvestors. The two are competing to become Asia's sec-Although Singapore would ond most important financial centre after Japan. When the Singapore Interna-

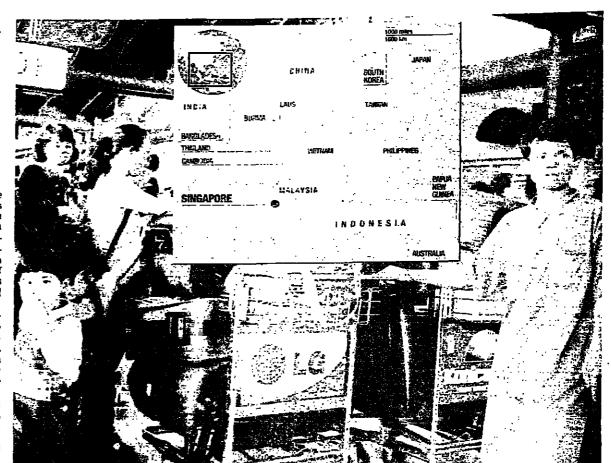
appear arrogant. "People tional Monetary Exchange would regard us as trying to (Simex) announced plans to steal the position from much start a Hong Kong futures bigger countries, and it's not contract to develop its finannecessary," Mr Goh says. cial centre, the Hong Kong Even Hong Kong - which Stock Exchange barred the for years had the edge over sale of real-time price infor-Singapore - has grown con-

Singapore as an offshore bet a matter of foreign policy, Hong Kong has been criticised for not being as proac-

tive as Singapore in improvits economic competitiveness, leading Tak Hay, to note snidely region. Not just one." that the government did not enjoy the advantages of Singapore's government: state the benefit of the total control over parliament, the media, trade mation to Simex, and Hong unions and its people.

refused to be drawn into a the part of Singapore to do Hong Kong in," Mr Goh Hong Kong's trade and partner in this region. We industry secretary. Chau need two hubs for the

If only Singapore's neigh bours would give the citydoubt. Then Mr Goh could



esian Chinese at Jakarta airport fleeing the country during last year's disturbances. Many made for Singapore, which has been dismissed by Indonesia as a dot on the map of south-east Asia Montage: Bob Hutchison, Picture: AP

INWARD INVESTMENT by Edward Luce

Aggressive drive for service companies

A change of tack has been instigated to reduce the economy's reliance on production of electronics products

in spite of being hit hard by the regional economic slow-Richard Hu, minister of neighbouring currencies. finance, impressed even reduce the costs of operating

in the city state. The measures, which mated S\$10.5bn, or 7 per cent included a steep reduction in owned industrial sites.

However, economists say that the measures, which elicited one or two wry comments from senior officials counterpart to interfere in on costs. the domestic economy, may savage decline in global

ic-related products for 57 per cent of its exports, has suffered from a number of for- to US corporate taxation." eign cutbacks, with compashifting production lines to Although other foreign manand electronic organiser

announced new investments in Singapore (with the latter shifting its global headquar-

the city state is increasingly down last year, Singapore hard-pushed to compete with in Singapore it's the other has redoubled efforts to other parts of Asia, not least way round," says one has redoubled efforts to other parts of Asia, not least boost itself as a centre for because the Singapore dollar banker. "Even though Singaboth high-level manufactur- has depreciated by less on a ing and financial services. trade-weighted basis than its

As a result, the city state Singapore's detractors with is making a big push to a series of painful steps to attract more service-based companies to Singapore, including banks, fund managers, healthcare providers reduced costs by an esti- and educational establishments. At the same time of gross domestic product, through tax incentives and general cost reductions - the wage levels and cuts to city-state is aggressively prorental fees on government moting itself as a regional headquarters for global com-

panies Jock McKenzie, senior which will employ 65 people in Hong Kong, where the in its Singapore head office, government has much less says that the city state comscope than its Singaporean pared well with Hong Kong should do to make itself

"We looked at both citynot be enough to offset the states very closely and there was very little - except in demand for electronics terms of cost - to choose between them." says Mr Singapore, which depends McKenzie. "As a US comon electronics and electronmade very little difference because we are still subject

However, others say that nies such as Matsushita few general conclusions can be drawn from the Caltex cheaper, offshore sites, decision owing to the fact that Singapore already had ufacturers, such as 3Com an in-built advantage as a Technologies, the US modem centre for petrochemicals refining and in trading of oil maker, and Caltex, the US derivatives. The city-state oil company, have faces a much bigger task in persuading financial inves-

pore), economists say that that everything is legal unless stated otherwise but pore is addressing this image problem, Hong Kong will remain as laisser-faire as

you are likely to get."

Nevertheless, some banks, including ABN Amro and Deutsche Bank, have benefited from the tax breaks on Asian headquarters in Singapore. But both retain operations in Hong Kong. "We cannot ignore Hong Kong because it is the obvious base for operations in China," says Ricardo Larrabure, chief financial officer of ABN in Singapore. "But, vice-president of Caltex, at the same time, Singapore offers a very attractive package and is consulting banks in detail about what it

more attractive." Bankers say that Singapore's problem is that no bank could afford to by-pass Hong Kong while plenty could afford to by-pass Sing-

In practice, they add, Singapore is likely to remain a viable location for management of Asian treasury operations, given its strong foreign exchange market. and as a centre for southstructured finance. But Hong Kong, with its stronger capital markets, is likely to retain the bulk of investment banking operations. "Hong Kong is more expentors to move from Hong of the markets are located," says one banker in Hong

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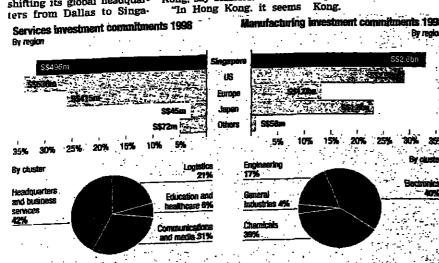
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Pivotal to a wider ambition

Singapore has no pressing need to develop a bond market, but sees it as a crucial element in becoming a financial centre ments for swaps out of the Singapore, the opportunity Singapore, which has lead the proceeds into Baht.

conventional wisdom to operations for the region. have emerged from the Asian financial crisis is the

Yet, in a region where little - and, in some cases. nothing - has so far been done by governments to extend domestic yield curves. Singapore stands out as an obvious exception. The irony of this is clear. Singaporean banks and companies did not, unlike their Thai and Korean counterparts. borrow excessive amounts of short-term. dollar denominated debt prior to the crisis and were therefore least scathed by the ensuing tur-

dollar has depreciated by less than the currencies of any of its neighbours (barring Hong Kong, which retains its peg to the US dol- offering tax incentives to lar). Of any country in the region, the city-state thus has least need to develop a domestic bond market.

Yet Singapore's response to the regional crisis has been instructive. Unlike its neighbours it has sought to profit from the turmoil by projecting itself as an island of stability, predictability and, above all, a centre from which foreign banks can

Among the many pieces of safely manage their financial

Government officials have view that Asian countries Singapore cannot present would be wise to develop itself as a credible financial active domestic bond mar- centre without being able to "As a financial centre we must be able to offer a bond market." said Teo Swee Lien, head of financial promotion at the Monetary Authority of Singapore. "A bond market is an integral part of being a financial centre."

In typical Singaporean style, the MAS and other bodies have set about constructing what are considered the right conditions for a domestic bond market to thrive. These include: extending the government

Likewise, the Singaporean yield curve to 10-years; broadening the scope of the primary dealership system for government bond distribution:

stimulate a secondary market in Singaporean bonds (most of which have been traditionally held in the vaults of the city state's five leading domestic banks until maturity):

 offering tax breaks for foreign banks to set themselves up as "bond intermediaries" - or syndicate lead manag-

· scrapping reserve require-

Singaporean dollar.

Most of this has been done been quick to recognise that on the advice of foreign banks and other financial experts. "At every step of the way the MAS has come offer liquid capital markets. to the market and asked what they needed to do." said Zafar Alam, regional head of debt capital markets for ABN Amro in Singapore. This is a textbook case of how to construct a bond market.

On the investor side, Singapore has also been able to draw on a large pool of liquidity through the Central Provident Fund, the state savings body which collects annual compulsory contributions from both employers and employees. This - which accounts for the fact that Singapore has the highest ratio of domestic savings in the world at more than 40 per cent of gross domestic product - is seen as an unparalleled resource.

In order to stimulate investor interest, the citystate has encouraged individuals to outsource management of their CPF savings to unit trusts. Foreign asset managers have also been offered tax incentives to bid for CPF money and other sources of domes-

"Given the huge amount of domestic funds based in

trusts greatly enhances Singapore's attractiveness as a centre for fund management," says Peter Hames at Aberdeen Asset Manage-

omy, the MAS has had little difficulty in persuading government-owned and government-linked entities of the merits of issuing bonds. Although neither the Jurong Town Corporation, an industrial venture, nor the Housing Development Board. which dominates the city state's property market. have any need of extra funds, both have issued benchmark Singapore dollardenominated bonds in the last few months. Other parastatal groups are expected to

Similarly, there was no shortage of demand for the bonds. The opening up of a foreign currency swaps facility has encouraged borrow big liabilities. For those ers such as General Electric swapping out of the cur-Credit Corporation. Ford and the International Finance Corporation to issue Singapore dollar bonds as well. Others, including the Asian Development Bank, are expected to follow suit later

Sunil Sreenivasan, chief executive of Citibank in

to bid for domestic unit managed several of the foreign and domestic offerings,

very closely managed econ- on an auction calendar. 'We know of several regional multinationals which are looking actively at the Singapore market," says Mr Sreenivasan. However. others say that Singapore may be too brazen in its ambitions to become a regional bond centre for Asian borrowers. One of the key lessons of the Asia crisis is that Asian companies and banks should - as far as practical - avoid unnecessary foreign exchange risks when it comes to raising cap-

> It is unlikely that many Asian corporations would have sufficient assets denominated in Singaporean dollars to justify incurring rency, which, for the time being, is a condition of issuing in the currency, only the world's leading currencies are likely to be on offer. Thus, it makes little sense for a Thai company to issue bonds denominated in Singaporean dollars when it would prove difficult to swap

Likewise, bankers are

sceptical that Singapore will predicts there will be find it easy to establish itself between SS7bn and SS10bn as a centre for bond issuance worth of bond issuance in in foreign currencies such as 1999. This includes govern- the euro or the US dollar. "If ment offerings which are a Hong Kong bank or a Kor-Being at the helm of a now flagged well in advance ean electronics company wants to tap the dollar market it will go to the yankee bond market in the US or the eurobond market in London, says one foreign banker. "Singapore will never have the depth or breadth which London and

New York can offer." Nevertheless, bankers say the city-state can play a viable role as the Asian leg of global bond offerings. It can also play on its advantage as a centre where Asian borrowers will be more easily recognised and thus more quickly assessed by inves-

Many foreign banks clearly agree with this prognosis having built up sizeable capital markets teams in Singapore. The fact that Simex, Singapore's derivatives exchange, is actively studying plans to launch futures contracts based on interest rates in regional currencies is also considered a plus point. "Singapore wants to present itself as a one stop shop with all the facilities of a financial centre," says Chris Podbury,

Ford, exhibitor at last November's Singapore Motor Show

Fleming. "It doesn't neces- stages of its development sarily expect the biggest contracts or the most liquid markets in everything but it wants to be able to offer the full range of financial instru-

Judged against this less extravagant benchmark. many believe that Singapore can succeed in its aim to

head of futures at Jardine market. While the early may look somewhat artificial with government entities tapping capital they don't need from a semi-captive audience of domestic investors - it may not take long for the Singapore bond market to reach what officials describe as a "critical mass". Liquidity, in other words. may not be that far off.

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BANKS by Edward Luce

Cosy regime begins to feel the pressure

The need for change has been recognised in the face of the effects of the Asian crisis on loan portfolios

Wherever you look in Singapore it seems there is usually a bank staring back at you. With a population of 3m. Singapore is one of the most over-banked countries in the world.

Considering the relative homogeneity of the domestic economy and that the mortgage market is heavily subsidised by the government, it is hardly surprising Singanore's tive leading achieve such unimpressive returns on equity.

Until recently, the Monetary Authority of Singapore did not see this as a problem. While the leading banks remained profitable and continued to lend cheaply to government-linked corporations, there was little need to address the underwhelming performance of the domestic banking sector.

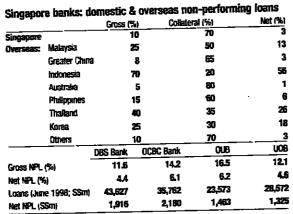
Yet the effects of the Asian financial crisis on the loan portfolios of banks such as the Development Bank of Singapore and the Overseas Chinese Banking Corporation have persuaded officials at S. G. Securities, says that of the need to press for change. The appointment of John Olds, formerly at J. P. Morgan, as chief executive of DBS was intended to signal that the era of domes-

Mr Olds, the first foreigner to head a Singaporean bank, has made it clear he intends to change the internal culture at the state-owned bank. This will include an aggressive overseas expansion drive – already under way with the majority purchase of Thai Danu bank and the Philippines-based Bank of South East Asia last year - and preparation for the opening of the domestic banking sector to full foreign

competition. We want to achieve the kinds of return on equity you see for Hong Kong hanks," says Mr Olds. Yet Mr Olds and Alex Au, his recently appointed counterpart at OCBC, who is Hong Kong-Chinese, face daunting challenges in their quest to improve shareholders' return on equity.

For a start, there is little sign of movement towards consolidation of the domestic banking sector even though Lee Hsien Loong. deputy prime minister, has indicated that a merger or two would be welcome. Mergers would allow Singapore's banks to create greater economies of scale for overseas expansion and enable them to leverage their balance sheets more

Although DBS has acquired POSBank, the domestic postal savings closed markets, the region's bank, there appears to be little opportunity for consolidation between the remaining five. Part of the problem is that DBS's four competitors remain mostly family-



owned and are thus not susceptible to unfriendly bids. "Singapore should have fewer banks but it is difficult to see how or when this is going to happen," says a local analyst.

Second. there is a limit to what banks can do to improve their performance in the domestic market. Michael Sia, banking analyst Singaporean banks are hindered by the limited range of domestic borrowers. Unlike in Hong Kong, where banks lend to a range of small and medium-sized enterprises at tic protection was drawing a margin over prime interest rates, Singapore loan portfolios are stuffed with AAA rated government-linked corporations and foreign multinationals based in the citystate. The benchmark lend-

> 'There are big logistical difficulties in acquiring banks in other markets'

ing rate is thus usually the Singapore Interbank Offered Rate. "It is difficult to improve your margins when you are lending at such low rates," says Mr Sia.

Third, there are big logisti-

cal difficulties in acquiring banks in other markets, whether it be in Malaysia. Thailand. Indonesia or the Philippines. "You have to be careful to do your due diligence," says Roger Lum. banking analyst at Credit Lyonnais in Singapore. "There is always the danger you will discover hidden non-performing loans only after you have made the

acquisition." In addition, although the Asian crisis has presented Singaporean banks with unprecedented opportunities to muscle into previously stronger and more desirable banks are clearly not for

sale. Last, the clock is ticking

towards the day when full

liberalisation occurs. Mr Lee

has indicated this could take a maximum of five years. But others, including Sunil Sreenivasan, head of Citibank in Singapore, which has a quota of 20 local branches, say the authorities have hinted that they have plans to liberalise the city state's controlled automated teller machine network sooner rather than later.

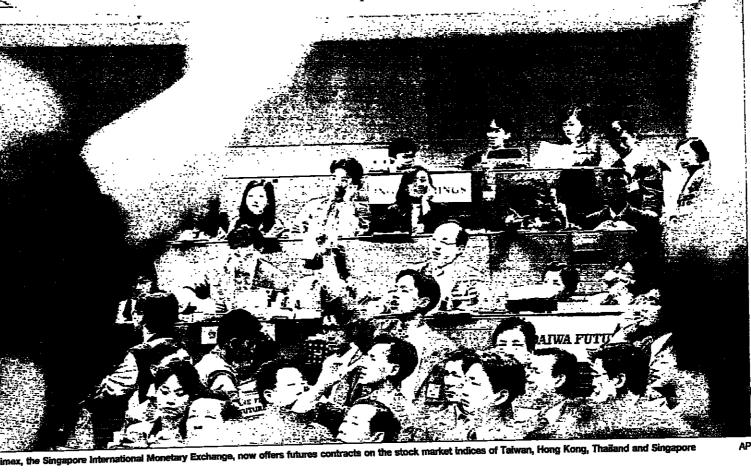
Foreign banks are excluded from the domestic sector's mutual access ATM network and are thus debarred from offering access to international net works such as Cirrus. Bricks and mortar [physical branches] don't matter so much any more," says Mr Sreenivasan. "What counts is the ability to compete electronically.

In addition, foreign banks are clearly interested in making acquisitions in Singapore, although this will not be possible until the MAS has scrapped the banks' dual listing system which limits foreign shareholding to 40 per cent of total equity. On some fronts, the MAS has made quite radical changes, most notably by imposing much stricter disclosure requirements on domestic

hanks. This is a departure from the city-state's previously secretive disclosure practices and brings reporting standards closer to those prevailing in Hong Kong.

Analysts expressed surprise at the level of detail banks disclosed about their NPL exposure to other parts of Asia in their 1998 results. "In the early 1990s all we got was the net profit figure." says one analyst. "Now we get the real minutiae." The MAS, which talks of

moving from "regulation to supervision" of the banking sector, has also reduced capital adequacy requirements on Singapore-based banks and encouraged banks to issue more debt by permitting a slice of reserves to count as tier-two capital. "Singaporean banks are still very conservative but the MAS is pushing them to change," says a foreign banker, "And the MAS always gets its way in the



STOCK AND DERIVATIVES MARKETS by Edward Luce

shares in Singapore.

in the near future.

shares.

sion fees and convert itself

into a profit-seeking com-

pany answerable to its

shareholders, the Monetary

Authority of Singapore

tre for overseas listed deposi-

could take years to build."

The MAS has also sought

to attract international asset

managers to the city state by

liberalising access to Singa-

pore's central provident

fund, worth more than

mountain still to climb

Few are confident that Singapore can easily build an equities market to rival Hong Kong

those wishing to trade equities or derivatives. liberalise brokers' commis-

With a stock market mostly dominated by government-linked entities and other domestic companies. the city-state seemed illiquid and unexciting compared with Hong Kong or Tokyo.

With Malaysia's decision to impose strict capital controls on foreign portfolio investment last September. Singapore has even been deprived of its one heavily traded sector, the over-thecounter market in Malaysian

The city state's decision last November to de-mutualise and eventually merge its stock and derivatives exchanges was presented as the first big step on the road to the creation of a much livelier and attractive environment for trading exchange-listed products in

Singapore. The move, which was followed by a similar announcement in Hong Kong earlier this month, has been greeted warmly by the markets. Yet few are confident that Singapore can easily build a market to rival either the volume or liquid-

ity of Hong Kong. exchange is never going to rival the Hong Kong stock exchange," says one banker. "It is a completely different environment."

The Singapore stock accompanied by a relaxation With a fraction of the market capitalisation of the

vehicles.

ers to Singapore, has been of restrictions on the types of security in which CPF money can be invested. Previously, it was restricted to government bonds and prop-

"Singapore is promoting asset diversification," says HKSE, the SES has a mountain to climb. Although it Robert Tomlin. managing director of Dane Court, an has long touted for overseas

either primary or secondary regulated environment to a By prodding the SES to much more laisser faire sys-

However, other fund managers are sceptical about whether the liberalisation of CPF funds will either attract more fund managers to Singhopes to reduce the cost of apore or result in a significantly greater volume of both trading and listing activity on the SES.

"These are public funds, so But with such a poor confees are kept at wafer-thin centration of liquidity few levels," says a US investbelieve the SES will acquire ment banker. "It really isn't an international dimension the type of business that pays our bills." We want to become a cen-

Bankers are more positive tary receipts," says an official. "But we recognise this

about the outlook for Singapore's derivatives market. In

US\$60bn. a number of fund managers have already taken advantage of its decision to allow Singaporeans to outsource management of contracts, Simex (the Singatheir savings to foreign-run unit trusts and other The move, seen as a carrot

to entice more fund manag-Simex now offers futures contracts on the stock market indices of Taiwan. Hong Kong, Thailand and Singapore and has said it will launch a contract on the Kuala Lumpur composite index once capital restrictions have been eased in

Malaysia.

Singapore has never been business, almost no foreign asset manager. "I would exchange is also looking exchanges - will enable Asia's first port of call for company has chosen to list describe this as a genuine actively at launching conparadigm shift from a highly tracts on regional interest rate markets which would eventually include listing futures on regional govern-

ment bond markets. Although the launch of fixed income contracts is some way off, given the lack of liquidity and trading in neighbouring government bond markets. Simex is the first regional derivatives exchange to signal its intention of creating such a mar-

Many have expressed surprise and even admiration at Singapore's willingness to poach business from its

neighbours. "Before the regional finan-

'In contrast to the Hong Kong Futures Exchange, Simex has been fighting aggressively for regional business'

contrast to the Hong Kong Futures Exchange, which been much more cautious offers mostly domestic based pore International Monetary Exchange) has been fighting aggressively for regional

accent on competition.

Elizabeth Sam, vice-president of Simex, says the

cial crisis Simex would have about listing contracts on foreign markets," says an analyst in Singapore. "But there is much less emphasis on Asean consensus nowadays. There is a greater

credibility Simex's received a further boost last reputation for interference month when it joined and micro-regulation. Globex, the world deriva-Chicago Exchange and Matif. the derivatives French exchange.

The move - again, a first among regional derivatives

users of the electronic platform to trade each other's contracts on a 24-hour basis with Singapore as the Asian leg of the time zone.

It will also enable market users to cross-margin positions on each exchange and thus reduce costs. "Joining Globex is a big plus factor in Simex's favour," says Chris Podbury, head of futures trading at Jardine Fleming in Singapore.

However there are still obstacles to the creation of a liquid over-the-counter derivatives market in Singapore despite the fact that Simex intends eventually to list OTC-based products.

Bankers say that MAS regulations act as a constraint on the development of a decent repo market owing to confusion about regulations governing "shorting" - selling a security you do not own in the hope its price will fall before you have to

deliver. Shorting is an essential component of a repo. or securities repurchase, market which itself is indispensable to providing real liquidity in the cash markets, say bankers. Again, the MAS has taken measures to create a repo market but the citystate is still hampered by a

"The Singaporeans are tives alliance between the doing all the right things Mercantile and they are doing them by the textbook," says a banker. "But it is difficult to shake off the view that Hong Kong will always be more laisser faire than Singapore."

INFORMATION TECHNOLOGY by Alan Cane

Master plan for e-commerce

Measures aim to encourage the world's leading companies to regard Singapore as an attractive place to do business

information technology as progress, the means to become an The airport was also the "intelligent" island, a "virtual intermediary" at the free personal computer conheart of the region, capable of handling S&ibn worth of electronic commerce a year by 2003, is incontrovertible.

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innovations that are commonplace on the island remain the stuff of the future elsewhere. Peter Walker, a principal with the Singapore office of A. T. Kearney, the management consultants, says: "If there are superior examples, I do not know of them."

At Changi Airport, for example. Singaporeans who travel extensively can clear immigration in seconds thanks to a system which compares an image of their thumb-print, stored in a "smart" card, with a live image taken on the spot with a fingerprint scanner.

Secretary Control

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The two images must match before the immigration gate opens. By last December, almost 6,000 Singaporeans had been issued

Singapore's commitment to extension of the scheme is in

first in the world to offer a nection service with some 20 centre. sockets installed in the departure and transit lounges.

tinction of being the world's busiest shipping port since 1982, with 800 or more ships in its waters at any time. The need to juggle 35 berths and hundreds of other pieces of equipment means the PSA Corporation, responsible for commercial management of the port, has to behave like the conductor of an orchestra, according to Dr Yeo Ning Hong, PSA chairman. A computer system which leans beavily on artificial intelligence is the key. "We use every piece of equipment as effectively as possible," he

its inventory management, payment being deducted based on bar-coding, which means that cargo containers can be stacked nine high in user attempting to avoid with cards and further the port's limited storage paying the toll.

areas compared with only two to four elsewhere.

Automation is everywhere. "We are moving from a blue collar industry to an information technology culture," Dr Yeo says. For example women operate the port's huge container-handling cranes from a remote control

In the city, metal gantries over the roads warn motorists they are entering the Singapore has held the dis- zone where Singapore's pio- airport and on land is only neering electronic road pricing system is in operation. Launched last year, it replaces a 20-year-old man- the region. There is an lived its asefulness. Its aim is simple; to curtail excessive use of the private car on the city's crowded streets. To travel in the inner city, ness.

cars and motorcycles must be equipped with a small device capable of accepting a smart card. The card must be charged with electronic cash. On entering a priced zone, radio signals between scanners on the gantries and the in-car device automati-PSA is especially proud of cally result in the prescribed from the card. Cameras on the gantries detect any road

o key part of the Land Transport Authority's "inte-in Singapore making use of grated traffic management an internationally linked system", which will combine e-commerce infrastructure a variety of monitoring and scanning technologies to provide, the LTA says. savvy culture". "close, active and constant Central to this latter

and the land transport sys-Automation in the port, one element in Singapore's master plan to become the electronic commerce hub of which will encourage the world's leading companies to regard Singapore as an

interaction between the road

and public transport users

Mr Leong Kheng Thai, the telecoms regulator, for example, argues that it is as much his responsibility to see that Singapore Telecoms remains price competitive with other major carriers as to ensure fair play for Sing-Tel's customers and competi-

attractive place to do busi-

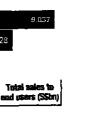
The Brigadier-General Lee Hsien ter, aims to persuade inter-

and what the government

theme is Singapore One. described as the world's first nationwide broadband (high capacity) network. By the end of the current year it is expected that the network will have the capability of reaching every home, office and school on the island. Connection will be through ual system which had out- emphasis on measures cable modems or ADSL (Asymmetric Digital SubscriberLine), technologies that are well understood elsewhere but whose cost has so far prohibited their use. Connections to Singapore One are heavily subsidised.

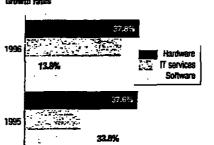
The network, driven principally by the National Computer Board, the National Science and Technology Board and the Telecommunication Authority of Singapore, is being used for government information. master plan, education, entertainment announced last autumn by and shopping. By 2001, it is expected that all key govern-Loong, deputy prime minis- ment services will be provided on-line.

IT industry





1993





ously the need to develop a technological culture. "After all," says Andrew McDougal, British Telecommunication's development director for the region, "you do not meet astrophysicists in Singapore whose fathers were also astrophysicists. The storehouse of knowledge you find its workplaces to spread in more developed countries computer literacy among does not yet exist here".

tion envisages a personal internet access about 16 per the region.

school children and up to 30 per cent of the curriculum to be delivered on-line. Michael Yap, newly appointed chief executive of the National Computer Board, speaks enthusiastically about the "TI bus", a motor coach kitted out with PCs which visadults. PC penetration is

Singapore is taking seri- computer for every two cent. We are trying to promote "thinking schools and a learning nation," says Rear Admiral Teo Chee Hean education minister.

ness of the less obvious problems of establishing an effective e-commerce culture. The NCB is a joint venture partner in Netrust. With responsibility for validating electronic transactions, it is the The master plan for educa- already about 45 per cent: only "trusted third party" in

STRATEGY by Alan Cane

crucial to

The country's aim is to be a world class player serving the global market in

its stall two years ago. It ini- business in Singapore. tiated a study, "Industry 21". to develop up-to-date strate- on a number of key areas, gies for the island's manu- including electronics, chemifacturing and exportable ser- cals and life sciences. In vices sectors.

robust global hub of know- over the period. ledge-driven industries". the island's gross domestic product and creating some

20.000 jobs a vear. That was before the Asian financial crisis. Today, the island's financial strength economic storm better than its neighbours and it is continuing to press ahead with plans to become a knowedge-based economy.

Speaking at an Industry 21 seminar in January this year, Lee Yock Suan, minister for trade and industry. said: "Singapore should aim to be a world class player serving the global market in selected services such as communications and media.

education and healthcare." It is already an important entre for the electronics industries. Willie Cheng, Andersen Consulting's managing partner in Singapore. sums up the situation neatly. "Almost everybody who is anybody has a base here," he says.

Competition is intense. controlling prices and forcing manufacturers to worldclass standards. "Singapore is a good test bed for these products," Mr Cheng says. For some of the newer,

knowledge-based industries personal computer hard drive manufacturing, for example - Singapore is a global leader, attracting contracts from around the world.

The UK-based Calluna Technology, for example, designer of state-of-the-art miniaturised hard drives only 5mm high, has contracted with PCS Peripherals of Singapore for volume pro-

Liew Heng San, managing Development Board, explains that the legacy of a failed German electronics group in Singapore was a pool of talent which found profitable expression in the disk drive business.

"Now, five of the six top players in the world manufacture in Singapore," he says. "This is a place where they can bring products to market very quickly."

About half the top 20 semiconductor manufacturers are also represented on the island. Five of the world's top 10 contract manufacturing companies have

. .

Operations in Singapore. investments, tax incentives and research and develop- cal infrastructure is in ment grants has tempted place," he says.

The EDB is concentrating electronics, the aim is to The aim was and is for generate S\$150bn worth of Singapore to become, the output by 2010, equivalent to EDB said, "a vibrant and 150 new electronics projects

The emphasis in the life with manufacturing and sciences is on drugs, medical exportable services constitu- devices, agricultural prodting at least 40 per cent of ucts and food intermediates. The island wants to be home to 15 world class life sciences companies by 2010.

Singapore's dilemma, how-

ever, is how to continue to attract overseas investment has enabled it to weather the and technology while generating a spirit of entrepreneurship among pative Singaporeans. A fear of failure and the social disgrace which can follow has tended to dampen creativity among the islanders, rendering world-class companies like Creative Technology, the computer sound specialist, comparative rarities.

Up to 70 per cent of Singaporean industry is either government-owned or has government links - the powerhouse is Singapore Technologies, a huge industrial conglomerate with dozens of companies in engineering. financial services, property and life style.

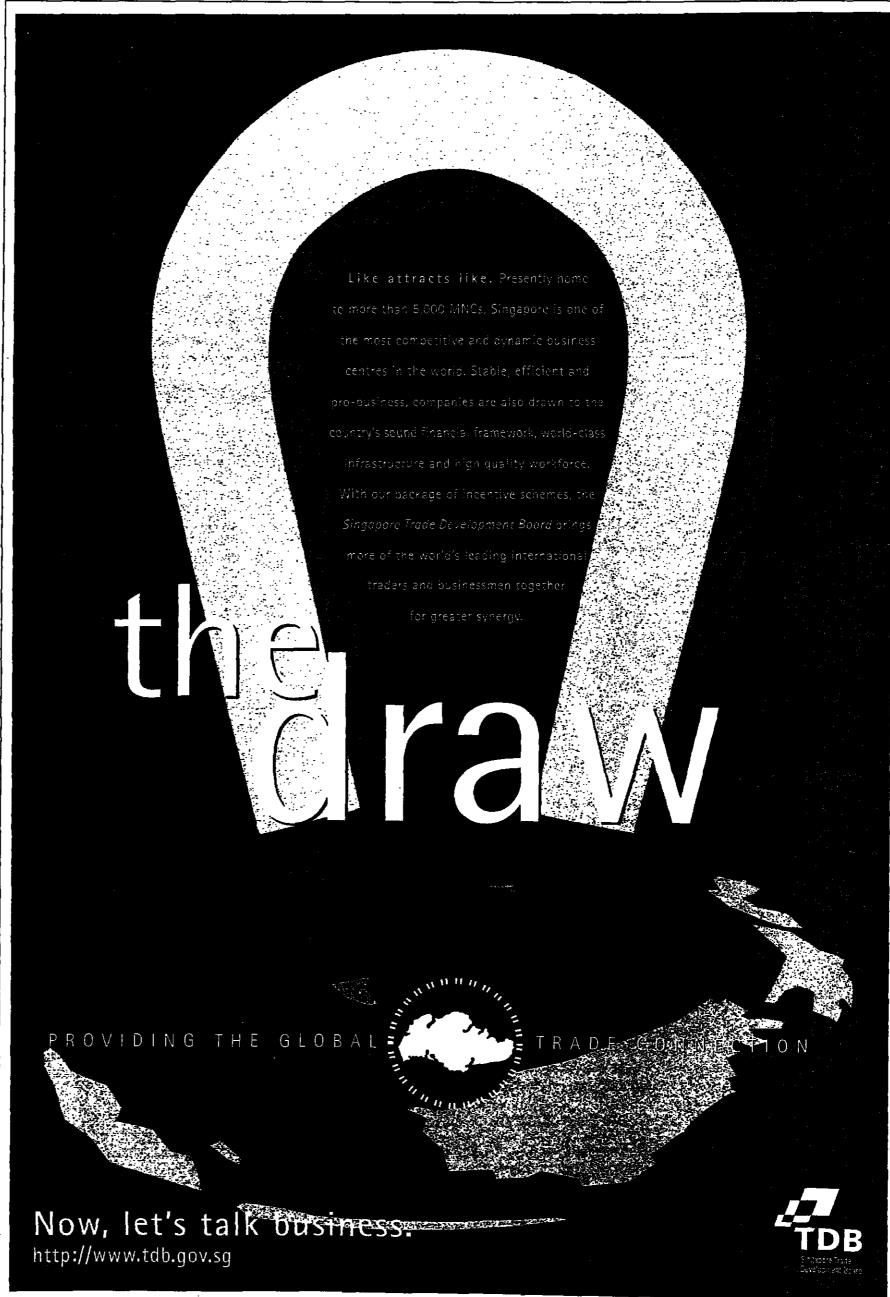
Most industrialised countries now believe that competition and markets are more reliable generators of growth and entrepreneurial activity than government involvement. The Singapore government, however, has created a raft of schemes which it hopes will achieve the same end. Of these, "Technopreneurship 21". chaired by the deputy prime

minister, is only one. Others include the Cluster Fund, which aims to sustain and build up industrial vibrancy and robustness by encouraging diversification in the key industries, and the Local Industry Upgrade Programme, which aims to help local information technology companies form partnerships with industry-leaddirector of the Economic ing multinationals with the objective of improving their

capabilities. In the same vein is the Promising Local Enterprises scheme through which the National Computer Board provides guidance to 10 selected companies to help them achieve their business objectives. The EDB, as part of the same programme, hopes to develop 100 local companies, each with annual revenues of at least S\$100m

Mr Cheng of Andersen Consulting believes it is time to sample the proof of this particular pudding: "We cannot continue to borrow tech-A combination of strategic nology any longer. This is the critical stage: the physi-

by 2005.





CASE STUDY

A blast of entrepreneurial spirit

Creative Technology's striking headquarters in Singapore's International Business Park stand as a monument to one of the island's few home grovin electronics groups to have achieved global recognition.

Founded in 1981 by Sim Wong Haa, chief executive and still the company's principal driving force, Creative is known by computer users everywhere as the designer and manufacturer of the "Sound Blaster" family of cards ~ complete printed circuit boards - which give today's personal computers the ability to talk and play

Some 60 per cent of PC audio systems today are based on Sound Blaster technology. The company is now expanding into other aspects of the multimedia world, including graphics, digital video disk technology, videoconterencing and.

remarkably, digital pianos. Mr Sim is a ranty: a successful Singaporean entrepreneur who built up his business without recourse to venture capital and whose principal product standard. "When I started, I had not heard of the term vc," he says with a laugh. Now he has been appointed chairman of the private sector panel of Technopreneur Committee

21, a government-sponsored initiative designed to lay the foundations for the creation of a new generation of entrepreneurs on the island. An electrical engineer by

training, the young Sim Wong Hoo found the emerging personal computer industry to be a fertile field. But his was no overnight

CREATIVE TECHNOLOGY

success. "We spent 10

activities out of revenues)

creative, to be different and

in 1984, the new company

to carry out research and

created Singapore's first

personal computer.

complete with speech

synthesizer capable of

English and Mandarin

forerunner of the "Cubic

CT", faunched in 1986.

which Mr Sim modesth

multimedia PC, It was,

'We always

wanted to be

creative, to be

different and to

carry out research

and development'

and too complex", he says

ruefully. Profit margins were

slim and extensive customer

The chief problem for the

fledgling company, however,

was focus. To survive, it was

spreading itself thinly over a

selling PCs and PC add-ons

diverse range of activities -

carrying out software and

The solution was to

considerable expertise.

reasoned, the hardware

would be difficult to copy

Furthermore. Mr Sim

concentrate on PC sound

where Creative already had

piecemeal basis.

hardware development on a

support proved essential.

its time. It was too costly

describes as the world's first

however "five years ahead of

Chinese. It was the

ourselves," he says. "We

always wanted to be

yield satisfactory margins. Building a low cost music card proved the easy part. Establishing the technology as a world standard took three years and involved Mr Sim in a prolonged sojoum in San Francisco where he set up Creative's US operations and developed an understanding of the US market that is, he says, superior to most Americans.

while audio software would

The breakthrough, in 1989, was the launch of Sound Blaster, a pc card with 11-voice synthesizer, text to speech capabilities, digitised voice input and output and a digital interface for musical instruments. Stripped of the years bootstrapping [funding argon, Sound Blaster brought a quality and sound that had not been experienced before.

By 1990, it had become the best selling add-on board for the PC: Sound Blaster Pro. launched in 1991, was rapidly adopted as the stereo sound industry standard for multimedia pcs. In August that year, Creative announced its initial public offering on the US Nasdao market, the first Singaporean company to be so floated.

Sound Blaster was not a echnologically complex product, And, at less than US\$200, it provided value that was difficult to heat. "We out in all the right features at the right price, says Mr Sim. "We are the king of audio; our products are bullet-proof."

This is the key to Mr Sim's belief that the company is comparatively safe from copycat products and from PC manufacturers embedding audio technology in the circuitry of their computers. His argument is that sound is difficult, the PC market is complex and potential competitors would be unwise to invest in products Creative can supply at very low prices. "It is not worth the risk," he

Creative is a past master at creating audio capabilities at a reasonable price. It pioneered free support for software developers incorporating audio It also offers a free verification service for software developers needing a guarantee that their products will work with

concludes.



Sim Wong Hoo: "Our focus is the cu

Sound Blaster, "We have 10,000 games in our warehouse," says Mr Sim. Since the success of Sound Blaster - there are now some 75m users worldwide - the company has strengthened its technological base, acquiring E-mu Systems, a designer of microchips for the multimedia market, in 1993, and Sharevision, a videoconferencing product manufacturer, the same year. More recently, it has acquired Cambridge SoundWorks, a US-based

manufacturer and retailer of

stereo speaker systems. In 1998 its turnover reached US\$1.23bn with pretax profits of \$152.8m. Analysts are expecting flat revenues and profits for the current year as a graphics price war and shortage of laser heads for digital video disk players take their toll. Indeed, Creative's financial record over the past few ears has not been faultless The chief problem has been a tendency to return to its

old habit of involvement in

too many sectors - the fiercely competitive CDRom drive manufacturing business, for example, in 1996, it lost some S\$100m when the market for CD-Rom drives suffered a glut and prices crashed. Some analysts are concerned that the group's

focus on "personal digital

entertainment", which sees the pc as the heart of home entertainment surrounded by Creative peripherals, including sound cards, digital video disk players, graphics cards and video cameras, is misguided. "We are sceptical about its success since we believe most consumers would want to purchase from multiple vendors." notes John C. Chan, analyst with

G. K. Goh. Mr Sim denies the group s in danger of losing its focus again: "Our focus is the customer. We will deliver what the customer wants at the right price."

Singapore-based broke

Alan Cane

TELECOMMUNICATIONS by Alan Cane

Ringing the changes as competition bites

Singapore Telecoms, which has traditionally dominated the market, has been forced on to the defensive in response to the arrival of a number of new operators

Telecommunications in its headquarters in down-Singapore has undergone town Singapore is complete dramatic changes over the with kiosks demonstrating past few years and is set for further upheavals. Prices tem offering fast access to have tumbled and services the internet, videoconferencexpanded as MobileOne, a new mobile operator, has challenged Singapore Tele-

coms' traditional dominance. The full commercial launch next year of Starhub. a third, facilities-based, operator offering both fixed wire and mobile services, will ensure that the two current rivals cannot rest on their

laurels However, SingTel, the largest company on the Singapore stock exchange and in which the Singapore government has a 75 per cent stake, retains the monopoly on fixed wire calls until April 1 next year.

The Telecommunications Authority of Singapore, the industry regulator, had originally agreed the monopoly would stay in place intil 2007. So rapid have developments been in global telecoms, however, that in 1995. the TAS, concerned about SingTel's competitiveness in world markets, pulled the deadline forward seven years, paying the operator

S\$1.5bn in compensation. For the moment. SingTel remains hugely profitable. In 1998 the group turned over S\$4.94bn (\$2.87bn), with profits before tax of S\$2.55bn. Inevitably, however, the threat and the reality of competition has forced it on

to the the defensive. The past few months have witnessed, for example, a spat with the regulator when, in a bout of tit-for-tat price-cutting with MobieOne, it failed to inform the TAS of its intentions as it is required to do, earning it a rap over the knuckles before the new prices were approved

the model of a modern oper-strategy in the light of the ator. The reception area of collapse of AT&T's World-

"Magix", a multimedia 555ing and other services.

But behind the glitzy. futuristic image, SingTel is relying on traditional cost cutting and service improvement to maintain its posi-

Brigadier-General Lee Hsien Yang. SingTel's president and chief executive, emphasises the importance of pricing services competitively while continuing to improve and enhance contact with customers. Last vear, for example, rate cuts and special offers saved SingTel's customers about S\$73m. It has recently announced a S\$340m rate reduction package for the current year in anticipation of the launch of Starhub, a joint venture between Singapore Technologies Telemedia, Singapore Power, NTT of Japan and British Tele-

mmunications. "We are trying to be a complete service provider." says Brig-Gen Lee, pointing to the group's expertise in the most modern communication technologies, including frame relay, asynchronous transfer mode and small aperture satellite transmission. Last year. under the banner "Budget Cell", it introduced internet telephony, calling card ser-

vices and callback. SingTel has some overseas assets, a 13.5 per cent stake in the Belgian operator, Belgacom, for example, and a 20 per cent stake in American Mobile Satellite Corporation. but Brig-Gen Lee says the group's aim is to be the principal telecoms hub in the region rather than a global

operator. It is, in any case, having to Superficially, SingTel is re-evalute its partnership Partners alliance, of which SingTel was a founding member. MobileOne, meanwhile, has been a "roaring success". according to Willie Cheng, managing partner with Andersen Consulting's Singapore operations. Winning its mobile licence in 1995, it launched its service in 1997 and signed up more than 120,000 subscribers in 80 days. In January, this year, it had signed up more than 200,000 customers, close

to half SingTel's total. Innovative pricing has been key, according to Neil Montellore, chief executive. Cutting off-peak rates by 50 per cent in January, he noted: "The new rates should accelerate the trend of Singaporeans using their mobile phones instead of their fixed-line phones even

when they are at home." But, as Willie Cheng says, however: "Everybody is waiting with bated breath for StarHub." Terry Cloniz, newly appointed chief executive, has the problem of launching the service into a market where prices and service levels have already been sharpened by competition. He is putting his faith in ultra-modern networking technology being developed by Nokia of Finland, and packaged fixed and mobile services.

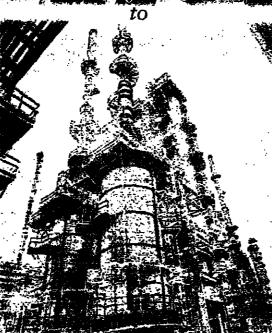
The group has already made its first commercial move, buying one of the three local internet service providers. Starhub is essentially a Clec, a competitive local exchange carrier. Investment in its network has been set at about S\$2.6bn compared with the S\$1bn SingTel invests every year, but Mr Clontz expects to have fibre optic cabling to every building within three years. In the meantime, he is negotiating to interconnect with SingTel's network.

No more facilities based licences will be launched

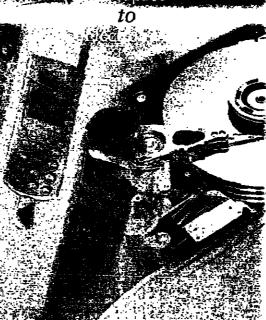
















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FINANCIAL TIMES SURVEY

TUESDAY MARCH 30 1999

ANNUAL COUNTRY REPORT

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Braced for a difficult year

Despite an economic slowdown and political bickering, Poland continues to make rapid progress on the road from totalitarian communism to capitalism and integration with the west. Stefan Wagstyl and Christopher Bobinski report

Poland is braced for a ering, Poland continues to difficult year. The Russian crisis has hit the country harder than expected, its effects compounded by the recession in Germany. At west, home, economic slowdown has sent a chill through the jobs market - for the first time since the early 1990s there is a perceptible increase in unemployment. The right-of-centre coalition government is strug-

gling to implement ambitious economic and administrative reforms. Its approval rates have plunged, particularly for Leszek Balcerowicz, the reform-minded finance min-

ister and architect of Poland's economic success Doctors, teachers, and

most seriously, farmers, have staged strikes or pro-

Voters are irritated by squabbling between Mr Balcerowicz's Freedom Union and its coalition partner, the AWS, the political vehicle of the Solidarity movement. which is itself rent by factional disputes.

The main beneficiary of this in-fighting has been Aleksander Kwasniewski, the left-of-centre president, who has overcome the stigma of his communist past to become one of eastern Europe's most popular

Yet, despite economic slowdown and political bick- free to concentrate on the western levels. As with

make rapid progress on the long road from totalitarian communism to capitalism and integration with the

Earlier this month it was admitted into Nato. The European Commission says negotiations over Poland's European Union entry are going well. Its economic growth rate this year remains among the highest in central Europe, with the National Bank of Poland, the central bank, forecasting

4-4.5 per cent. Basil Kavalsky, the World Bank mission chief for of Polish workers into west-Poland, says: "This remains ern Europe is a particularly a country with very sound fundamentals."

The year's most significant event is almost certainly late renewed westward Nato entry, which draws a line under decades of Russian domination. Bronislaw Geremek, the foreign minister, has compared its importance with the acceptance of Christianity 1,000 years ago.

Poland, which joins the alliance with the Czech Republic and Hungary, wants Nato to continue looking eastwards and prepare for the entry of other eastern European states. Warsaw argues security can best be enhanced by cementing relations with eastern neighbours, particularly Ukraine.

The achievement of Nato membership leaves Poland

much more complex task of

joining the EU, which War-

2002. Mr Kwasniewski says:

"It's a question of preparing

our whole economy to meet

So far, EU negotiators

have queried only relatively

minor issues such as

Poland's telecommunica-

The trickier subjects have

yet to be raised in the entry

talks - including labour

mobility, land rights in

Poland, the environment and

The freedom of movement

many and Austria, which

Mr Kwasniewski says the

key is rapid economic

growth in Poland, creating

jobs for those who might be

Economic growth is also a

key to solving the sensitive

question of the Polish

restrictions on foreign own-

Polish nationalists fear EU

entry could produce a flood

of Germans buying Polish

estates, particularly in pre-

1945 German territories in

the north and west. How-

ever, such purchases would

become less attractive if fur-

ther economic growth raises

Polish land prices closer to

ership of agricultural land.

tempted to leave.

fear EU entry might stimu-

EU standards.

tions regulation

aericulture.

saw wants to complete in

public of Poland Form of state Bicameral: Sem (lower house) of 460 members; Senate (upper house) of 100

Electoral system National elections November 1995 (presidential) and September 1997 (parliamentary): next elections due by November 2000 foresidential) and September 2001

Head of state President, elected by universal suffrage currently Aleksander Kwasniewski National government Council of Ministers headed by prime

labour mobility, the matter

might be covered by transi-

tion agreements running for

several years after the date

of Polish entry. As for the

poor condition of the envi-

ronment in some regions,

notably industrialised Sile-

sia, with its fllthy factory

and household chimneys.

there is little dispute

between Poland and the EU

about what needs to be done,

only about how it is to be

But even the environmen-

tal question pales in compar-

Jarzy Buzek (AWS) Main political grouping Solidarity Electoral Action (AWS), a calition of around 40 smaller parties and pressure groups organised aroun

A coalition of Solidarity Electoral Action

nower on October 20 1997

the Solidarity trade union mov Democratic Left Alfiance (SLD), forme communists embracing social semocracy: Freedom Union (LIW), the centrest successor to the first Solidari Peasants' party (PSL), a smell farmers

party; Democratic Peasants' party (PLD), a more pro-reform offshoot of the PSL: Movement to Rebuild Poland (ROP), promoting nationalism and traditional

into the EU. Some 28 per cent of working Poles are employed on the land, but they produce only 6.5 per

cent of GDP. The government and the left-wing opposition agree farming should be rationalised by creating bigger units from the country's 2m farms and finding alternative rural jobs for farmers. But there is no co-ordinated programme for implementing such a change. The EU promises to contribute aid, but the money will be far less than ison with the challenge of the support given over bringing Polish agriculture decades in Western Europe.

March 23 1999 51 = Zloby 3.9525 Economic summan 135.3 Tabel GDP (Sbillion) 4.8 GOP per bead (S) 2.6 3.5 4.7 100 11.5 29.1 -2.7 -5.3 29.2 28.4 ligital foreign debt (percextage of GDP) 3.7 31,0 27.2 45.0 -140 -11.3 15.0 Bree-recrift interest rate (%, दाय pers 24.4 18.2 Discount rate (% end period)

UK Ukrakse Russia Germany ΕIJ 5.5% 6.3%

Moreover, as well as finding money, there is the daunting task of training the rural poor for the modern economy. Fewer young people in villages go into higher education than 10

Area: 311.904 50 km Permetetion: 38.7 millio

Common 76th

years ago. Even those farmers who choose to turn their farms into efficient enterprises operating to EU standards face uncertainty as it seems unlikely that they will have early access to Common Agricultural Policy funds on the same basis as EU farmers. A long transition period

The problems have been thrown into relief this year for pig farmers, who have seen selling prices balved because of the Russian crisis. Last month, they staged protest road blockades.

The protests struck a chord across wide parts of Poland. There is considerable support for the view that the benefits of Poland's economic progress are concentrated among too few people. While the young, the well-trained and the enterprising have a place in Mr Balcerowicz's brave new world, the old the middle- consigned to the past.

aged and the uneducated often do not. As well as farmers, these have-nots

ers at the heart of Solidarity.

The government has increased support for the stricken pig farmers but is resisting any general increase in public subsidies for agriculture or industry. Ministers remain committed to reducing budget deficits to zero by 2002. Their priority is financing reforms such as this year's changes in pensions, health care, educa-

tion and regional affairs. A handful of loss-making state-owned enterprises still have subsidies. But the government's aim is to force such units to stand on their own feet via privatisation Last year's sales included the stock market flotation of Pekao, the second-biggest bank, and Tpsa, the telecommunications utility. This year's plans include the sales of strategic stakes in Pekao and Tpsa plus the privatisation of PZU, the insurer, and Rafineria Plock. the oil group. Where enterprises are too weak to be privatised they are being cut or closed, as with coal mines.

Ministers support further foreign investment, which has reached an accumulated total of \$30bn, including more than \$10bn last year. according to Paiz, the government's investment agency. Paiz expects the flow to continue at the same rate. although there are fears that the world economic slowdown could delay projects.

There are sporadic comforeign capital in the economy, notably about German investment. Right-wing groups try to exploit fears of Germany, which are understandably strong among older people who remember the second world war. But most Poles accept close ties with western Europe inevitably mean close ties with Germany. They hope that Nato and EU membership will bring such a deep sense of security that fears of Germany - and Russia - can be

A world of opportunity in Poland.

fter eight years of successful social and economic reform, the Polish economy is now one of the fastest-growing in Europe. In 1997, GDP increased by almost 7% in real terms, and industrial output rose by over 11%. The Polish government's conservative fiscal policy has reduced the budget deficit to 1.3% of GDP, and the country's strong growth is stimulating foreign investment and reducing unemployment. This success is reflected in Poland's Sovereign debt rating, which is considered as "Investment grade" by the leading rating agencies. The transformation of the economy has been accompanied by a far-reaching privatisation plan, revitalising Poland's industrial and commercial infrastructure. A milestone in this process is the initial public offering of shares in Telekomunikacja Polska - TP S.A. - the largest privatisation in the

TP S.A. is the principal provider of telecommunications services in Poland, and is currently the only provider of international and national long-distance telephone services and the dominant provider of local telephone services. The company also offers leased lines, radio communications, data transmission services and equipment sales, and a number of other, value-added services.

Access line penetration in Poland is still well below the EU average of 50%, at around 20%. A cornerstone of TP S.A.'s strategy is to develop and modernise the national telecommunications network through a 4 billion dollar investment programme. The company expects to install

technology and efficiency of the network as a whole. In order to retain its leading position in the evolving Polish market, TP S.A. is also sharpening its competitive edge by implementing a segmented approach to its company to market will belp the company to market customer base, which will of products and services customer base, which will belp the company to mark

customer base, which will belp the company to mark

of products and services.

Specially priced packages billing system will eventually

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A uniform, country wide price establish an integrated

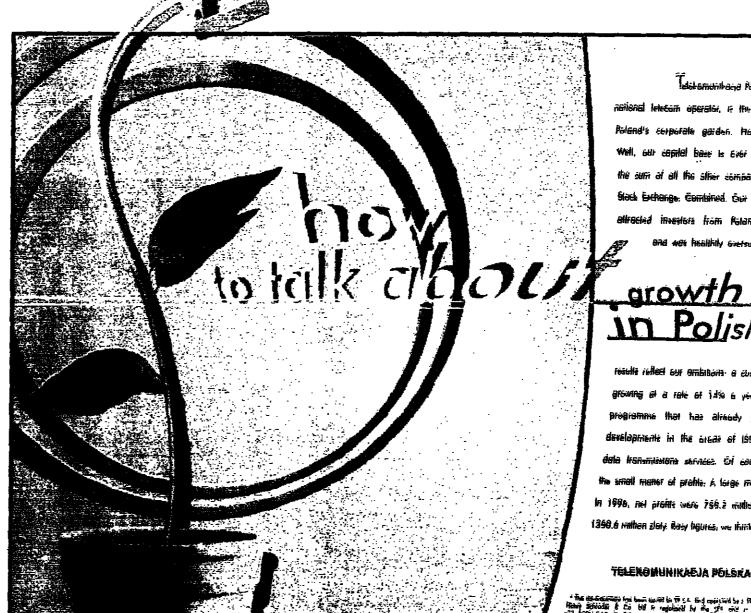
also enable the company to

customer database. TP S.A. also intends to expand the range of services it offers, and is developing an intelligent network platform for advanced services such as televoting and split-charge calling. The company is also investing to expand its internet and on-line services. Mobile services represent a particularly attractive growth market. TP S.A. offers analogue and digital mobile phone services through PTK-Centertel, a joint venture with France Telekom which hasover 800.000 customers. Centertel intends to expand its digital network

coverage, and to continue to offer both services at competitive prices.

TP S.A.'s new management team is determined to ensure that the company retains its leading presence in the Polish market, and has introduced an ongoing programme of organisational restructuring to create a market-responsive company, geared to meeting the needs of its customers as efficiently

TP S.A.: ready for growth.



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1358.6 million zlaty: Rosy figures, we think you'll ogree.

Telekomunikaeja polska s.a.



Slowdown is sinking deep into everyday life

A modest decline has developed into a more serious downturn due to the impact of two external shocks: the Russian crisis and the decline in growth in western Europe

Wojtek Madalski has clear evidence that the slowdown in the economy is sinking deep into everyday life - a decline in the growth of fruit juice sales.

Mr Madalski, president of Hortex Holding, Poland's biggest juice maker, says: We can see the rapid growth we experienced in previous years is slowing."

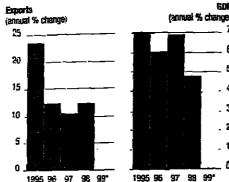
Fiat, the Italian carmaker which is the market leader in Poland, reports a similar story. So does Bank Handlowy, the Warsaw bank.

Across the country. Polish companies are coming to terms with the fact that the deceleration in economic growth which started last year will be steeper than was forecast even three months ago.

A modest slowdown, triggered by efforts by the authorities to cool over-rapid growth in 1996 and 1997, has developed into a more serious downturn due to the impact of two external shocks: the Russian crisis and the decline in growth in

western Europe. television to The outlook depends is no crisis. mainly on the prospects for export markets, principally although Russia also matters because it bought about 8 before the crisis and up to 30 per cent in some sectors including food processing.

The uncertainty has made some Warsaw politicians and With export growth declining following the Russian crisis, GDP growth is also slowing ...

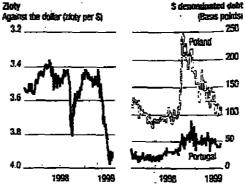


las % of GDP) (as % of GDP 1995 96 97 98 99 dent of PAIZ, the inward external accounts, a pro-

... creating concern about the fiscal and.

especially, the current account deficits ...

... but foreign investors' confidence remains strong



proportion of reinvestment cult to cut budget deficits it

heads the list of foreign the four implemented this

education.

companies already estab-

For example. Fiat, which

investors with accumulated

capital of \$1.4bn, plans to

invest a further \$200m. As in

1998, this year's tally should

be swelled by privatisation

receipts including the sales

of strategic stakes in TP SA.

the telecommunications util-

However, Andrzej Ole-

chowski. chairman of the

supervisory board at Bank

Handlowy, says Poland

could be hit by the swing in

ity, and Pekao Bank.

lished in Poland.

longed economic slowdown

could have serious domestic

ment could find it more diffi-

Next, reforms could be

harder to finance, including

year in health care, pen-

sions, local government and

The government is also

redundancies for miners and

contemplating similar aid

for steelworkers. Looming

on the horizon is the

restructuring of agriculture.

for which the funds prom-

ised by the EU and other

external donors will be

insufficient. Protests by

farmers suffering because of

sanction extra support.

planned to zero by 2002.

So far, dissidents in the ruling coalition have been prepared to support Leszek Balcerowicz, the reformminded finance minister. because his policies were accompanied by high-speed growth. But powerful elements in the AWS, the Solidarity-linked alliance which rules in tandem with Mr Balcerowicz's Freedom Union. are suspicious of the finance

committed to financing policies. tion for their supporters in heavy industry and agriculture. If the slowdown is prolonged, their demands for money will multiply.

minister's market-oriented

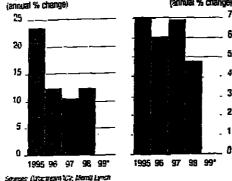
However, the slowdown can help Polish business to does have a silver lining. By exposing Polish business to tougher competition it highthe Russian crisis have lights weaknesses in both already forced ministers to the public and private sec-

Already it has helped the government to accelerate modestly the slow-moving privatisation of the steel industry, which fell deep into the red last year following the collapse in world steel prices. In food processing, the drop in exports is forcing rapid consolidation of many smaller companies.

Not all industries are under the same pressure. For example, telecommunications, software and retail financial services are still mushrooming.

But elsewhere there are rapid changes, including mergers and takeovers. Mr Szomburg says: "The crisis become more competitive."

With the country hoping for EU entry as early as 2003. the impetus for improving efficiency has not come a



head of the government's 13.2 per cent in 1997 to 8.6 envisage falls in output, as strategic studies centre, who has warned of a risk of recession and urged fellow ministers to prepare an economyboosting package. However, the government

has ordered Mr Kropiwnicki to hold his tongue. Hanna Gronkiewicz-Walc, the governor of the National Bank of Poland, the central bank. has appeared on national television to declare: "There

The bank has tried to ease the slowdown by acceleratin the European Union, ing cuts in interest rates, with its key one-month intervention rate coming down per cent of Polish exports from 24 per cent in January 1998, to 13 per cent.

Mrs Gronkiewicz-Walc says the bank must study the effects of these reductions before contemplating business people nervous, further moves. But with

partner

Poland

per cent last year, there could be room for further interest rate cuts.

The national bank forecasts gross domestic product growth for 1999 of 4.5 per cent, down from 4.8 per cent last year. Predictions from private sector economists go as low as 1.5 per cent. Much depends on the

strength of a predicted recovery in the second half of the year, particularly in exports. If EU economies perform worse than expected, so will Poland's. However, such concern

must be put in context. Jan Szomburg, president of the Gdansk Institute for Market Economics, an independent think tank, says: "Poland remains the best performing economy in the post-communist world." Even the most notably Jerzy Kropiwnicki, inflation falling rapidly from pessimistic forecasts do not

investment agency, says that direct investment in 1999 have occurred in the Czech should equal or exceed last effects. First, the govern-

The biggest short-term worries focus on the current year's, including a growing account deficit, which was already substantial last year at 3.7 per cent of GDP and which could grow this year to 6 per cent. "This is at the limits of tolerance," says Mirosław Gronicki, an economist at CASE, a Warsawbased think tank.

Fortunately, the flow of foreign investment has been more than sufficient to cover the current account shortfall. Last year's \$6.8bn deficit was exceeded by an inflow of \$13bn, including \$6.3bn in direct investment, according to central bank data. Foreign exchange reserves stand at more than \$27bn. substantially more than in other central European states. Adam Pawlowicz, presi-

sentiment against emerging markets among international investors. As well as damaging the

POLITICS by Christopher Bobinski Tug of war between two giants

Solidarity supporters and their right-wing allies are still locked in combat with the former communists

Poland's new status as a Nato member and continuing talks on joining the European Union mark a radical break with the past. Nevertheless, the country's politics continue to be defined by allegiances forged before 1989.

Voting trends show that in spite of Poland's changing international status, supporters of the legendary Solidarify union movemen allied with smaller rightwing groups in the Solidar ity Electoral Action (AWS) look fated to battle - in the medium term at least - with the former communists who have successfully repackaged themselves as the Left

Democratic Alliance (SLD). Indeed, the SLD did so well in breaking with its communist image that it managed to win elections in 1993 and held on to power in an uneasy coalition with the Polish Peasant Party, a farmbased group, for four years.

The AWS only returned to power just under 18 months ago, smarting after the additional defeat two years ear-lier of President Lech Walesa, Solidarity's historic leader. Then Mr Walesa was forced from the political stage by Aleksander Kwasniewski, the youthful former communist leader who won 52 per cent of the vote in utumn 1995.

Now the AWS, led by the ambitious Marian Krzaklewski, a former academic



specialising in computer sciences, governs in coalition with the pro-business Freedom Union (UW). This party is headed by Leszek Balcerowicz, architect of Poland's post-1989 free market reforms. And Mr Krzaklewski, who has remained at the head of the Solidarity trade union but stayed out of the administration, remains determined to follow the victory through by defeating President Kwasniewski next

AWS came to power with a programme of reforms which include decentralisation of government as well as radical changes in the pensions. health and education systems. The first three have already been set in train and attempt to streamline the the reorganisation of the central government adminis- is still vivid. education system looms in

were certainly necessary but their implementation has generated confusion and a consequent slump in the government's popularity.

At the same time, a slowdown in the economy and a rise in unemployment from 9 per cent at the end of last year to nearly 11 per cent have exacted their toll. Opinion polls in February and March have shown the SLD nulling ahead of the AWS. Some surveys have given the former communists a lead of This will not be easy. The 35 percentage points compared to AWS's 26 per cent.

Jerzy Buzek, prime minister, a professor of chemical engineering and veteran Solidarity supporter, has tration. This is unlikely to

He will be standing government collapsing. against Mr Kwasniewski ning the moderate voters who do not agree with Solidarity's anti-communist rhetoric and its traditional views on abortion or giving the church a significant role to play in the state.

Mr Kwasniewski has in the past three years managed to retain the middle ground by avoiding open confrontations with the present government and judiciously using his powers of veto on legislation. As a result, he remains far ahead of Mr Krzaklewski in the opinion polls.

Meanwhile, despite constant tensions both between the Freedom Union and the AWS and inside the fissiparous Solidarity right-wing bloc, the governing coalition looks set to stay together until parliamentary elections in 2001. The memory of 1993, when splits in the Solidarity reacted with a promise of a movement opened the way reshuffle combined with an to a victory at the polls for the former communist SLD

Significantly, key votes the autumn. The reforms help much. Rather Mr such as approval for the bud-

Krzaklewski who is deter- get or a recent vote of no mined to stand and run for confidence in Mr Balcerowthe presidency is hoping that icz, the finance minister. the memory of the early show the coalition at their days of the reforms have disciplined best. Squabbles receded by autumn next erupt when the issues are of year when he will have to secondary importance or ask people for their votes. there is no danger of the

The continuing tug of war who ousted Mr Walesa by between the two giants keeping the support of his leaves little room for other former communists and win- parties. Only the Freedom Union, with its free market ideas and liberal philosophy can expect to grow as the middle class in Poland develons. For the moment though, the party oscillates with 12-15 per cent support and can only hope for junior member status in this and

future coalitions. The Polish Peasant Party (PSL) is the other small party vying for the number three spot in the political spectrum. The party is firmly rooted in the countryside where its farm supporters are fated to shrink as a social group.

The social tensions this process is already engendering will favour the PSL or more extreme groups such as Samobrona led by Andrzej Lepper, a populist who has been organising big demonstrations and road blocks to demand higher farm prices. But unless the PSL manages to build a constituency in the towns or merge with an urban movement it seems fated to

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DEFENCE by Christopher Bobinski

Turning point as the country looks west

To Warsaw's relief, relations with Russia do not appear to have suffered as a result

Poland's entry into Nato marks a crucial turning point in the country's fortunes which Bronislaw Geremek, the foreign minister, recently compared with the acceptance of Christianity just over 1,000 years

Trust Wasch Wasch 30 1999

ago. Mr Geremek's comparison has raised eyebrows, but it was not religion which the bearded, pipe-smoking former historian and veteran anti-communist dissident had in mind. Rather, as Mr Geremek would explain, Poland - now as then - has at a stroke been locked firmly into the western world.

Poland has also gained the promise of security which has eluded the country for the past 200 troubled and often tragic years.

It is a situation which few thought possible just over a decade ago. Robert Mroziewicz, the deputy defence min-ister, accompanied Mr Geremek on his trip to Independence, Missouri, to hand over Poland's ratification papers and formally join the western alliance.

During the ceremonies Mr Mroziewicz remembered the day in 1985 when he was released from prison under an amnesty for Solidarity detainees. "We met to discuss what we would do next," he says. "Of course, we were determined to continue our opposition to the communists.

"Then we thought that the best we could ever possibly hope for would be to win some kind of neutral status for Poland towards the end of the first decade of the next century.'

Now, as Poland enters Nato along with Hungary and the Czech Republic, the Polish government is keenly aware that it faces the challenge of bringing its armed forces up to western stan-

The success with which this is done will affect Warin the west to further expan-

This would include Lithuainstance. But Poland would be happy to see Estonia and the alliance and wants Ukraine's association with tent in the armed forces.

wato upgraded. relations with Russia appear not to have suffered, says Mr Mroziewicz.

"The best proof of this is that Yevgeny Primakov, the Russian prime minister, is terms of high manpower as a coming to Poland in April sign of military strength. We just after we come back from the Nato summit in around to the idea of quality and operations abroad such one of the codntry's moderning them to be used in meet Nato standards.



The training and equip— The general also worries ment upgrading tasks which about pay and retirement saw's other aim, which is to Poland has been set by Nato conditions for the army. "As keep the door to Nato open are embedded in a 15-year part of Nato, Poland's forces in places such as Mielec and for its neighbours to the modernisation programme will be highly qualified." he east. If there are problems for the armed forces which with adapting Poland to now number 240,000. This "But if we want to get with adapting Poland to now number 240,000. This 180,000 by 2003 and Stanis-

nia and Slovakia in the first at the defence ministry, says that budgetary constraints paid civilian professions. may mean the number being Latvia as well as Slovenia in further reduced to 150,000. This could generate discon-

Sitting in his office sur-Also, to Warsaw's relief, rounded by dictionaries in a equipped two squadrons of elations with Russia appear visible sign of the effort Mig 29 and Su 22 fighters not to have suffered, says Mr senior officers are making to with the technology to learn English, General Koziej says:

"Our army still thinks in

more." He hints that there law Koziej, a general in are already problems with charge of defence planning morale as able young people leave the military for better-For the moment, Poland

tions equipment needed to bring the country's skies into the Nato system and

At the same time several

as the one mooted for Kos-

prepare seaport and aircraft facilities needed to allow the transport and supply of the two Nato divisions promised as support if the country's

borders were threatened. The costs here are not excessive. Poland will be spending about 10 per cent of its defence budget, which runs to the equivalent of 2.1 per cent of GDP this year, on Nato-related projects.

Nato will also be making a contribution, Mr Mroziewicz

He adds that Nato planners are not pushing Poland to increase defence spending and thereby stretch the economy's still slender

"They recognise that the economy must be allowed to grow in stable political conditions," he says. "This is also a security aspect."

Nevertheless, new equipment will have to be purchased, beginning with a multi-million-dollar order for new fighter aircraft.

The government is presently working on the criteria for the tender. These are expected to include commitments by the suppliers not only to place orders with Poland's moribund defence industry under "offset" agreements but also to participate in its privatisation.

Preliminary offers made by Boeing, Lockheed Martin and British Aerospace offering Sweden's Grippen aircraft are considered to be the most attractive and Romuald Szeremetiew, the deputy defence minister, hopes decisions will be taken by the end of this year.

Other defence equipment programmes include rockets and avionics for a fighter helicopter, armoured troop carriers, mounted cannon and new ships for the navy.

The offset agreements, the Poles hope, will bring new technology and orders to the defence industry with plants Swidnik in eastern Poland. Here unemployment is high political problem for the Sol idarity-led coalition govern-

Whatever the cost of Nato membership, Mr Mroziewicz says the cost of equipping Poland with forces sufficient would be prohibitive.

As it is, Poland has gained membership of an alliance which provides more than just security.

enable them to fly in Nato few years turn the military and defence industry into one of the country's modern-



Leading advice in Poland



Minister of the State Treasury of the Republic of Poland Public offering of 210,000,000 shares and depositary receipts in Telekomunikacja Polska S.A.



HypoVereinsbank /

Bayerische Hypo- und Vereinsbank AG Acquisition of 36.7% of Bank Przemysłowo-Handlowy S.A. w Krakowie



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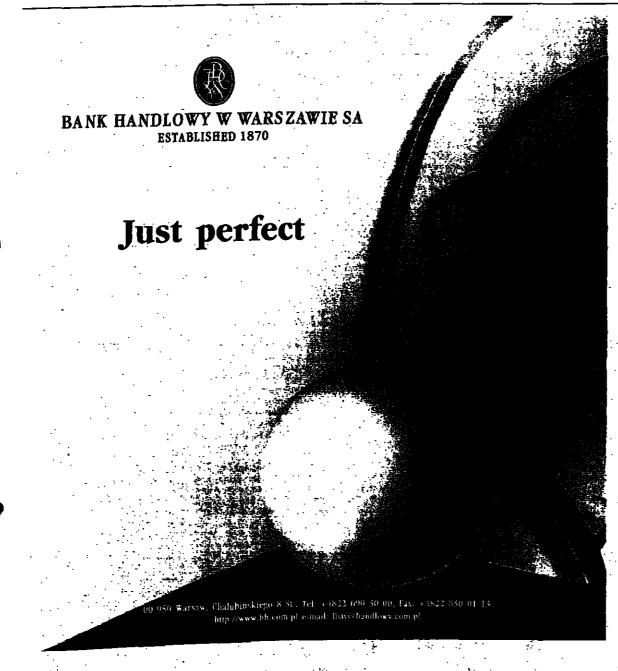
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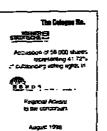
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FINANCIAL TIMES

POLAND 4

REGIONAL REFORM by Stefan Wagstyl

New system of local government

The fresh set-up will help to prepare for entry into the EU, which emphasises regional self-government because communities keep

Poland's signpost painters have never had it so good. Since January 1 they have been busy helping to bring into existence a new system of local government.

A Communist-era network of 49 centrally administered regions has been replaced by 16 self-governing authorities, sub-divided into 308 districts and 2,489 community coun-

The community council, or gmina, was restored in 1990 in one of the first acts of the post-Communist government. But it was only last year that a long debate was finally concluded over the powers of the district (powiat), and region (voivodship).

The new structure is important historically because it recreates Poland's pre-1939 local government structure. It is significant for the future because it will help to prepare the country for entry into the European Union, which places a big emphasis on regional self-government.

The changes affect business, including foreign investors, because voivodships have been made responsible for regional economic development.

The key individual in each voivodship will no longer be the government-appointed voived but the locally-elected leader of the council. Jan Zarebski, leader of the Pomorze voivodship with its capital in Gdansk, says: "We are now responsible for our own future.

Implementation of the reform followed a furious political debate last year over the boundaries of the new voivodships. The government originally wanted 12 regions but opposition from the capitals of the old anthorities forced the number up to 16.

But there was never much argument about the need for change. Michal Kulesza, who piloted the reform through parliament as secretary of state for regional reform, says the key purposes are to "decentralise power, create local identity, prepare for the EU and promote eco-



dents in the town of Brzeziny, central Poland, block the main road bet the outsidirts of their town in protest against a gove

One important effect is to link cities with their hinterlands, some of which are very poor even in the case of wealthy cities such as Poznan, Poland's second wealthiest city after War-

As well as Poznan, the new Wielkopolska region includes villages where economic life has virtually been destroyed by the collapse of state farms.

Voivodships plan to take their economic development roles seriously, not least because it is only by developing viable projects locally that they will secure access to the growing flow of EU funds into Poland.

The total amount is expected to more than double from next year, rising from about €200m a year to more than €500m. The European Commission will turn down poorly prepared schemes, as it did in Poland last year.

Vaivodshin council leaders tricts, the community counare planning fact finding visits to Brussels. Some will establish permanent offices. sometimes with the help of towns and regions within the EU with which they have links. Such ties are are of crucial importance to more than symbolic. For would-be investors. example, the prosperous industrial city of Poznan has

which the North Brabant chamber of commerce can use as a base from which to advise potential Dutch inves-As well as regional development. voivodships are responsible for region-wide

services including higher education, specialised medical services, ambulances. culture and road networks. Below voivodships, districts with an average of \$0.000 people are responsible for local services including secondary schools and most

hospitals. Beneath the dis-

provided office facilities

cils will continue to run primary schools and health centres and local infrastructure. They will also produce local development plans, including those for land use, which

Unlike voicodships and districts, which are responsible only for the tasks they are assigned, community councils can tackle any local issues as long as they have the financial resources.

Under the reform, the proportion of public money administered locally has reforms. He says he was increased from about 15 to 40 per cent. But this exaggerates the amount of local discretion, since the great bulk will be spent on essential services such as schools, where levels of provision are set nationally.

At community council level, local authority incomes vary greatly future."

27 per cent of personal income tax collected locally and 5 per cent of corporate taxes. But at district and voicedship level, these figures fall to less than 1.5 per Local government leaders complain that they have

been given too little money to finance services and too little financial freedom. The government curbed earlier plans for greater financial decentralisation, fearing for the impact on the overall public budget. However, authorities have some discretion to borrow, giving hanks hopes of developing an important new market.

Mr Kulesza says units of local government can issue bonds and financial paper. though within limits. "The big financial institutions are going into this market to

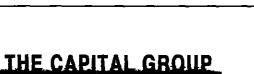
develop it." he adds. Mr Zarembski, in Gdansk says financial freedom will grow in time. "It is hard for any government to surrender control over money." he

But he says the present uncertainty surrounding the new authorities should be resolved in the future, as happened with the community councils in the early.

"In Poland it often happens that something starts with confusion but turns out later to be a success." he

Rolf Timans, head of the EU delegation in Warsaw. also has high hopes for the very impressed with the way community councils in the region affected by the 1997 floods distributed EU reconstruction aid.

"Sixty per cent of the projects were completed in 15 months." he says. "That was very good. The experience will serve them well in the







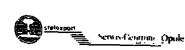






















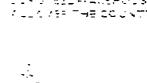
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REGIONAL PROFILE **POMORZE**

Gulf between town and country is particularly acute

The thriving port city of Gdansk, full of quaint old comers, ugly modern buildings and foreign business people, seems light years away from the pankrupt state farms around Slupsk, 150km to the west.

Yet the new Pomorze *voivodship* (region) covers both. The success of the government's new regional policy will rest on whether the new voivodships can help close the gap between the big cities which have seen the bulk of the benefits of the reforms of the 1990s and the villages and small towns where living standards have often fallen.

In villages around Slupsk the average unemployment rate is above 20 per cent, compared with 2 per cent in the thriving three-city conurbation which includes Gdynia and Sopot as well as

In the cities, young people are pouring into courses in computing, management, finance and foreign ianquages. As elsewhere, a common goal is to work for a multinational. In the villages, fewer youngsters start higher education of any kind today than 10 years

ago.
The urban-rural divide runs throughout Poland. It is particularly acute in the north, including Pomorze, because the region has the highest proportion of state farms, created after 1945 when the German landowners who dominated the region before the second world war, fled or were expelled.

With many state farms bankrupt, the villagers have been left jobless. Far fewer farmers have their own plots, unlike their counterparts in other poor rural regions, notably in the While the solutions to

these problems lie with national economic policymakers, the new voivodships have been given the job of trying to spread prosperity. "We must try to do our best with the resources that we have,"

elected leader of the vorvodship council. The voivodship's plans involve stimulating further growth in Gdansk, Sopot and Gdynia and their

hinterlands, promoting

non-farm jobs in the

countryside and improving roads and other communication links. The authorities plan to co-operate with the European Commission to ensure the region has access to European Union enlargement-related

development funds. Tomasz Sowinski, whose job is to co-ordinate the local council's activities with government policy, says toreign investors are also

Foreign investment today, as with domestic business activity, is heavily concentrated around Gdansk and includes retailers such as Metro from Germany and Auchan from France. Coca-Cola of the US has

a \$30m bottling plant in Gdynia and Federal Mogul also of the US, has invested \$20m in a plant manufacturing bearings. New home-grown businesses include

Procomm, one of Poland's

largest software companies,

plus a host of enterprises in food processing, tourism and trade, But the Gdansk area is dominated by the activities of the ports of Gdansk and Gdynia and their shipyards. The ports themselves and the fleets are still

state-owned and in need of

rationalisation and However, there is progress in shipbuilding where the bankrupt Gdansk yards, the birthplace of the Solidarity movement, were sold late last year to Stocznia Gdynia,

Janusz Szlanta, the Stocznia Gdynia chairman Who helped to save the yard from financial collapse five years ago, now hopes to do the same for Gdansk. In the process, the company will redevelop part of the Gdansk vard, which lies in

the privatised Gdynia yard.



the centre of the city, as a commercial and office At the voivodship offices, Mr Zarebski says: "It is an

excellent project." Outside the Gdansk-Sopot-Gdynia conglomeration, which has about 700,000 of the voivodship's 2.1m residents. industrial development is patchy. At Kwidzyn in the south, International Paper of the US has invested \$320m in acquiring and modernising a state-owned paper mill.

There are smaller investments in food processing, furniture and clothing companies, many of which have suffered sales losses because of the recent Russian crisis. Mr Sowinski sets great

store by developing the region's tourism. Traditional attractions include Gdansk's old town, carefully rebuilt following destruction in the second world war, and Malbork, one of Europe's largest medieval castles and former seat of the Teutonic

Germans, flock in summer to the beaches of Sopot and other resorts, encouraged by efforts to clean up the Baltic The authorities hope to

promote more rural tourism by encouraging villagers to develop quest houses and small hotels. The region's specific attractions include some of Europe's largest sand dunes in the northwest of the voivodship as well as Kartuzy, a pocket of hills and lakes where traditional

Kaszubian culture survives. The Kaszubian language, once widespread in the region, is still spoken in this

picturesque enclave. However, the region also needs to see progress on bigger developments, particularly in transport. Before the second world war, links with Poland were limited because much of the region lay in German East

After 1945, the authorities concentrated on developing the industrial heartlands of Silesia. Later, says Mr Zarebski, Gdansk was punished by the Communist authorities who withheld funds because of the city's role in worker unrest in 1970, when there were strikes in the shipyards, and in the 1980s.

The region lacks good road links with Warsaw and the rest of the country. Mr Zarebski says the proposed construction of the international A1 motorway which would link the Baltic states to the Mediterranean is a priority for the region because it would run near Gdansk and help to link it with the rest of Poland,

However, financing plans are less advanced for the A1 than for the A2 motorway which is to cross Poland from east to west, linking western and eastern Europe.

"For the EU, that is more important," says Mr Zarebski ruefully. "But for Poland, the north-south connection should have a higher priority."

Stefan Wagstyl

JIMES TOTAL MARCH MARCH MIN

On one hand, banks are facing a squeeze in their core corporate business tion." where profits have been hit by a combination of falling interest rates, rising costs slowing economic growth and the Russian crisis.

On the other, a vast new market is opening in retail financial services, requiring rapid development of new skills and heavy capital investment.

At the same time, continuing privatisation is creating new threats and opportunities. The government is due soon to announce a strategic partner for Pekao, the biggest bank privatised so far. Bankers say the pressures

takeovers. Hanna Gronkiewicz-Walc, governor of the National Bank of Poland, the central bank, says: "We have 80 banks. Further consolidation will take place. But it will be determined by market forces and not by the Kredytowy, in which Allied

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do everything at once, and kowski, chief executive of says: "Many companies are ness, is investing in a netthird-largest, says: "Given the pressures bankers face, we expect rapid consolida-

> Declining profits will concentrate minds. The Polish Banks Association estimates that while bank assets grew last year by about 27 per cent, reflecting the spread of financial intermediation in an under-banked economy. the industry's net profits fell 35 per cent.

Losses suffered in Russia were only the most visible element in a difficult year when interest rates fell by more than 10 percentage points. With the economy still slowing and some borrowers running into finanwill accelerate mergers and for corporate banking for 1999 seems uncertain.

Krzysztof Pietraszkiewicz, the bank association director, says: "It will be a difficult year for Polish banks." Wojciech Ksen, chief executive of Wielkopolski Bank

Bank Handlowy, Poland's talking about the slowdown - the brewing companies, the car dealers. It is very

The banks claim that their competitive position is par- to be a universal bank." ticularly difficult because those in western Europe, its retail plans. It argued notably for compulsory at the central bank. They hope the central bank will ease the rules this year.

Meanwhile, many banks are concentrating their efforts on retail expansion. The number of credit and charge cards in issue has soared past the million mark. The number of automatic teller machines cial difficulties, the outlook (ATMs) is set to double from 2,000 at the end of 1998 to 4,000 in 2001.

Given the high cost of opening new branches, banks are concentrating on the alternatives of advanced technology and acquisition. For example, Bank Handlowy, which has previously

work of mini-branches with ATMs as a way of leap-frogging institutions with igger branch networks. Mr Stypulkowski says: "We plan terms of capital.

Bank Handlowy had hoped Polish regulatory require-ments are tougher than control of Pekao the key to that the merger would have created a locally owned giant big enough to compete with foreign-controlled institutions and expand overseas.

But the government has narrowed the field to two foreign bidders, Citicorp of the US and Italy's UniCredito Italiano in combination with Allianz, the German Other foreign banks

expanding retail networks in Poland include Bayerische Hypo-Vereinsbank, Germany's second-largest, which last October paid 2.1bn zloty for 37 per cent of Krakow-based Bank Przemyslowo Handlowy, be offered to investors. Poland's fourth-largest insti-

Polish banks are also growing by acquisition, notably Big Bank, a private bank started in 1989, which has merged with Bank Gdanski, a regional institution. It is now the fifth-largest in

Aside from Pekao, the gov ernment has still to play three important bank priva tisation cards - the sale of Bank Zachodni, a regional bank in Wroclaw, du this year, and of PKO BP. the largest bank in terms of deposits, and Bank Gospodarki Zywnosciowej, the farmers' bank, both expected

next year. PKO BP's privatisation is because under communism it was the main retail bank. It still boasts nearly 40 per

cent of all deposits. But with more than 1,000 outlets, 40,000 staff and a loan book burdened with bad housing loans dating back before 1990, PKO BP requires rationalisation before it can

vatisation will also help to



particularly important Plans for further privatisation will also help to develop the Warsaw stock exchange

develop the Warsaw stock free float in each company is and UB, the biscuit maker exchange, which needs more new large issues to expand trading volumes. While the exchange maintains its reputation as one of the most transparent in eastern Europe, members want to

expand their business. The market was boosted last year by 57 flotations which took the total to 201 and which included the two largest companies by capitalisation, Pekao and TP SA, the telecoms utility.

However, with the government retaining majority out minority shareholders about 30 issues altogether. holdings in each company in then split the business and He says: "Investors have order to sell strategic stakes sold it to Cadbury Schwep- become much more cauto industrial investors, the pes, the British confectioner,

much less than the overall market value, just 15 per will replace the companies cent for TP SA.

banks, where controlling stakes have often been to see the flotation of Plock acquired by foreign institu- Refinery, the biggest petrotions. Such companies may in time leave the exchange altogether, as happened last year with Wedel, the leading tricity companies. Polish chocolate company which was delisted when its controlling shareholder, Pepsico of the US, bought smaller. Mr Rozlucki expects

Future privatisation issues which have departed. Wies-The same is true for other law Rozlucki, the stock privatisation issues, notably exchange chief executive, chemicals group, Lot, the airline PZU, the dominant insurer, and one of two elec-

> However, the flow of smaller privately owned companies is likely to be

HEALTH SERVICE REFORM by Christopher Bobinski

Progress - despite the criticism

Problems still need to be resolved such as the complex network of vested interests in the health service and badly-run hospitals which are beginning to lose income

Poland's controversial health service reform which started at the beginning of the year has already cost Wojciech Maksymowicz, the health minister, his job. He was replaced at the end of last week by the energetic Franciszka Cegielska who has made her mark as the mayor of Gdynia, the Baltic port where she was an enthusiastic supporter of decentralising local government reforms.

Despite his dismissal. Mr Maksymowicz can be proud of presiding over the start of one of the most far-reaching changes in the country's welfare system since the fall of the communist system in

Indeed, opinion polls demonstrate that people have ples of the change to a choice-based system of health care.

"Despite all the carping. most people have managed to register with a general practitioner in time," he says. "And many can reel off the illnesses which they can be treated for directly by a specialist - which is more than I can."

The reform is one of the four fundamental systemic changes the present government has decided to introduce within 12 months. A nurse in a black T-shirt attends a petient in a Warsaw hospital Along with health, the government has been reforming pensions and decentralising local government. A reorganisation of the education system is due to start in the

The inevitable confusion that the changes have engendered has contributed to a slump in the govern-ment's popularity. Critics such as Marek Balicki, a former deputy health minister. say that the reform was illprepared and poorly implemented. This sort of criticism contributed to the fall



where doctors and rurses handled only emergency cases in January during a two-hour strike in support of pay increases AP

was a neuro-surgeon and Solidarity supporter.

In essence, the reform ments. Here again the patients can choose where they want to be treated. Pretem was district-based, limit- up space in hospitals with should be administered by pleted.

of Mr Maksymowicz, who ing people, in principle, to treatment in the area where

they live. But at the same time the allows people to register doctors are to act as "gatewith general practitioners of keepers", reducing the flow their choice. The doctors to specialists and hospitals then prescribe further treat- of patients with minor allment in hospitals or clinics ments who used, as a matter in the case of serious ail- of course, to head for what they thought would be the best treatment.

Mr Maksymowicz also savs viously, the health care sys- there were old people taking that the health system of changes has been com-

were there because there was no one to look after them at home. "They should be in care centres which we will develop as the reform takes hold and frees up resources".

The funding arrangements Starting on January 1, a sum equivalent to 7.5 per cent of gross wages is taken out of people's incomes tax payinstitutions called "Patients" each of the 16 new provinces, with one additional fund for the military and

The funds then pay for the medical services dispensed by doctors and health establishments, be they privately or publicly owned. The total amount flowing into the ning to lose money because health care system from this patients have started source this year will be 21.6bn zlotys which is to be augmented by a 4.3bn zlotys budgetary grant. This gives a 14 per cent nominal increase on last year's health budget.

The sum is still deemed nursing staff unions who are demanding that up to 11 per cent of gross wages should be devoted to health care.

The reform follows a month-long campaign by doctors and nurses for higher wages and these demands, backed by strikes, go-slows and demonstrations continued as Mr Maksymowicz struggled to implement the institutional object of sniping from the Freedom Union (UW), the junior partner in the Solidar-

tained that the establish-

expensive facilities who local government administration. However, the most difficult part of the reform now

faces Ms Cegielska, his successor. The changes promise to unravel a complex network of vested interests in the health service. These have also been changed, include specialists who were quite happy to have a flow of patients who did not really need their services, because they could rely on each of ments and passed on to new them to hand over a gratification in kind or cash which Funds". These are located in supplemented their admittedly low official incomes. The specialists' total incomes will suffer as a result and the number of specialists may have to be

> Also, badly-run hospitals with local reputations for choosing the competition. And as the prospect of bankruptcy stares them in the face, these hospitals are beginning to lobby for extra funds to stay in business.

In addition, thousands of ambulance drivers which the inadequate by doctors and hospitals are finding they can not afford - and don't ning to press the govern-

ment to save their jobs. The reform introduces the principle of choice into the system. But it still leaves the onus of responsibility for cutting waste with the Patients Funds which retain a monopoly role in negotiations on fees with the pro viders of health care. Indeed, changes. He was also the all Poles are bound to join the Funds if they want to participate in the system.

Mr Balicki argues that ity-led coalition government. another weakness of the The UW has long main- reform is that it fails to clearly outline the basic conment of separate Patients tours of the health system Funds has been wasteful and once the present programme



THE MINISTER OF THE STATE TREASURY, WHOSE SEAT IS IN WARSAW, ON 36 KRUCZA STREET / 6 WSPÓLNA STREET, ACTING IN THE NAME OF THE STATE TREASURY OF THE REPUBLIC OF POLAND.

dated 30 August 1996 (Journal of Laws No. 118, position 561 with later amendments) and with the Decree of the Council of Ministers of 29 July 1997 on the particular methods of disposing of shares belonging to the State Treasury, the basis of financing the sale of shares and forms of payment for those shares (Journal of Laws No. 95, position 578 with later

ANNOUNCES AN INVITATION TO NEGOTIATE

for the acquisition of up to 7,000,000 ordinary beaver shares series A (representing approximately 15.2% of the share gapita in the company ORBIS S.A. (hereafter referred to as "The Company") with its seat in Warsaw on 16 Bracks Street. Th nominal value of each share is 2 PLN.

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The Company's share capital The subject of the peroximions will be in particular the price per share and the number of shares in which the responding

Estitues interested in the acquisition of shares in The Company will be able to collect "Information on The Company" and the "Procedure for Public invitation to Negotiations", from 6 April to 23 April 1999 (except Saturdays and Sur between 10:00 and 15:00 Warsaw time, at the following address:

The Ministry of the State Treasury ica Krocza 36 / Ws

00-522 Warsaw, Poland tel. (+48 22) 695 82 31

Due to the fact that the shares in The Company ORBIS S.A. are publicly traded, the document "Information on Th Company" will only contain information which is already in the public domain.

After receiving the "Information on The Company", together with the "Procedure for Public Invitation to Negotiations' entities interested in participating in negotiations should submit their initial proposals to the Ministry of the State Treasur from no. 521) by 23 April 1999, 15:00 Warsaw time, on the basis laid out in the "Procedure

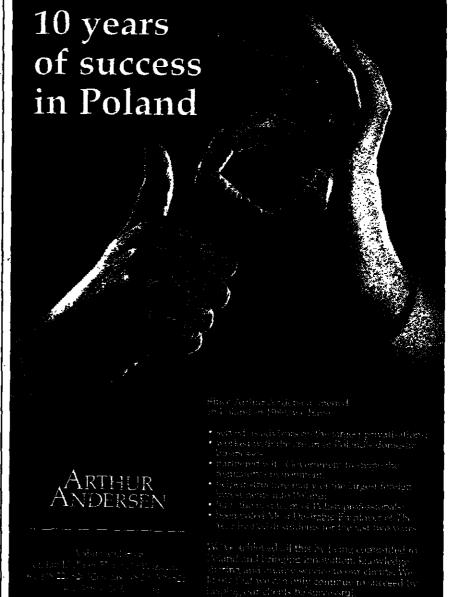
By 10 May 1999, the Munister of the State Treasury will inform (in writing) the entities who have submitted imital propose

The Minister of the State Treasury reserves the right to:

change the "Procedure for Public Invitation to Negotizations" without providing reasons, at any time and to any degree

including extending the period for submission of initial proposals; withdraw from negotiations at any time, without giving reasons; freely select those entities with which to conduct negotiations; reject initial proposals that have been presented without providing reasons;

All costs related to the meention to negotiate and participation in negotiations on the acqu unpany ORBIS S.A. will be borne by the participating entities which are interested in acquiring these shares. These cost will not be refunded in any instance, either by the State Treasury, represented by the Minister of the State Treasury, or by the adviser to the Minister of the State Treasury.



PENSIONS REFORM by Christopher Bobinski

Fund managers jostle for position

Changes should increase the rate of Savings in the economy and provide funds amounting to 45 per cent of scheme, choose their fund. The funds of for investment

The talk this spring seems to payments on employers and be of little else but pensions as Poland's reform moves into top gear with private fund managers spending small fortunes on radio, TV and outdoor advertising to capture clients they hope to kees for life.

One recent Sunday, people out for a morning stroll in Warsaw's castle square found Winterthur, the Swiss nsurer, camped out under a bright yellow tent, its sales people happy to hand out leaflets to the accompani-

ment of loud pop music.

Meanwhile, Bank Handlowy and the giant PKO BP savings bank, who form another fund, held an open weekend hoping to lure cli-ents to their scheme.

The commotion is part of a far-reaching systemic change which should increase the rate of savings in the economy and provide muchneeded funds for investment. If will at the same time wase the burden of pension

markedly reduce the role of the state in the economy. Under the new plan, modelled on schemes pioneered in Chile in the late 1970s and developed throughout Latin America as well as in Asien emerging markets such as Malaysia, a share of Poles'

tions will from now on be banded to private funds for investment. The capital minus the funds' fee, which oscillates at around a monthly 9 per cent, will be returned to the clients together with the

national insurance contribu-

investment growth when they decide to retire. The plan retains an element of the old system business plans. under which present contributors fund the pensions of

future. The under-30s have no choice but to participate in about 10 funds will survive the scheme. They will from after this year's melee when

زغ

the total wage bill, go to the investment fund of their

The scheme is optional for those aged between 30 and 50 and closed to the over-50s. As many as 23 fund managers have been established and big names such as Nationale Nederlanden of the Netherlands, Commercial Union of the UK and Citibank are involved. Already 16 of the groups have state operating licences.

According to conservative estimates between 6m and 8m of Poland's present 12m lahour force will be involved in the scheme and most funds are targeting a market share of 10 per cent in their

This should start to give returns after five or six those who have retired. This years at the level of fees the will also guarantee a small groups have been forced to state old-age pension in quote as a result of flerce competition for clients. And that suggests that

The funds will be able to invest 5 per cent of their own capital. assets abroad. Also under Polish rules, two-fifths will be invested in equities while the remainder is invested in invested and not paid out to government and private

bank, which is partnering the Warta insurance company in the DOM fund. thinks the flow of the pension related funds will only begin to be felt next year by the Warsaw bourse. Before that happens there

are severe teething troubles. The state-run Zaklad Ubezpieczen Spolecznych, through which the contributions have to be channelled, has yet to come up with procedures and a computer system for logging the clients the various funds have managed to acquire.

Only when that happens By all accounts it could accelerate its sales take until the end of the programme.

now on see one-fifth of the those Poles who have to, or summer holidays before the will have to survive on their The fact that a share of

the old pension payments flow will from now on be existing pensioners but to the new fund managers will Stanislaw Berkieta, of Citi- produce a hole in the budget. This is to be filled from privatisation revenues coming from the sale of banks such as Pekao SA and the country's refineries.

Now that the reform is under way, the finance ministry responsible for the budget will all the more urgently demand that disposals are speeded. Drafting errors in the pension legislation produced a month-long gap in the contributions flow earlier this year.

This meant that the government ran up almost half of its annual deficit by will the funds begin to get the end of February. their share of contributions Pressure will mount all the from the system to manage. more on the Treasury to

Geard + City

Retail developments in Warsaw

Prime sites at a premium as foreigners move in

As office rents come down in Warsaw, the price of land in some rural areas is 'going through the roof

attracting feverish attention from property consultants as French and German hypermarket chains scramble for prime sites in the main Polish cities.

This is in contrast to several years ago when Warsaw office rental prices were at London and Paris and developments were all the

Now rents are slowly but surely coming down, making the market less attractive, in the short term at least, for

In the retail sector. Sean Briggs, of Healey and Baker's Warsaw office, reels off the names of the chains bringing hypermarkets first into the main centres and now into cities of more than 200,000 inhabitants.

These include Auchan, Carrefour, Geant from France, Real from Germany. Tesco from Britain and Ahold from the Netherlands. "It is unbelievably \$20m industrial warehousing man machines,"

the problems encountered in

Poland's retail sector is putting together a site big enough for a project. With Poland's fragmented

farming system, you have to buy plots from lots of owners and getting sites near the edge of towns is still difficult," he says.

"Also, land prices have gone through the roof. It is quite crazy. The sheer cost of land is

holding back another development, Mr Briggs says. This is out-of-town retail warehousing, where "the companies are looking but land is too expensive for projects to be viable". Even as retail projects are

reaching further and further year out into the Polish provinces so are distribution centres. AIG-Lincoln, an alliance between a US property developer and a US insurance company, has decided that Lodz, Poland's largest city with a strong industrial tradition, is a key location and is building the Diamond Business Park, a

competitive." he says, citing project, there.

the centre of the country at meanwhile quietly confident planned north-south and east-west highways," says Brian Patterson, AIG-Lincoln.

"We finish our 10,000 sq m industrial park at the end of April and interest from potential renters is high."

Manufacturers are attracted by the supply of low-cost qualified labour

Daewoo's Warsaw Towers is scheduled to come on to

the market this

which is available because the textile industry which was once the source of Lodz's wealth is now running down. "Also, floor space in the park is considerably cheaper than in Warsaw, where you

simply cannot find people to

Patterson adds.

the crossroads of two about the future of office developments, in Warsaw at

DTZ's research shows that top quality new buildings in the city centre were commanding rents between \$40 and \$45 in 1997 and these have fallen to between \$32 and \$38 this year. Mr Jones expects this price to hold next year as well.

"You see a two-tier system developing," he says. Rents are falling more steeply in refurbished or poorly designed high rise buildings. Here DTZ says rents are at a level of \$25 to \$33 and will fall further next year to \$23

Demand in Warsaw for

office space is now coming mainly from foreign companies which arrived in the country three to four years ago and are now expanding their operations. At present the stock of office space in the city amounts to 3m sq m, of which one-fifth was built after 1989.

There are about 500,000 sq m under construction and the area of office space becoming available this year is 340,000 sq m.

It is the first high-rise This includes the Warsaw

King Cross (Se Macro Cash and Carry Castoraco OB HIT Targének (Carelow) Macro Cast: and Carry Auchen +Lerry Merian Hii KEA Jank ೬ ಓಚಿತವ Selects Reduta (Cenebus Reform Cercle 武紀 117 **Coloria Mcketow (Ahold** African South 71ota Centre HIT Carreious

Financial Centre, which

enjoys a prime location and hitherto dominated the city's offers 49,000 sq m of lettable skyline. Daewoo's Warsaw

But there are also signs of Towers, which will offer just a shift away from large over 20,000 sq m, is just as projects towards smaller building to rival the stalinist high and is scheduled to buildings which house the Mr Jones.

Palace of Culture which has come on to the market this staff of just one or two

"Companies can then put their sign on the building

PRIVATISATION by Christopher Bobinski

Crucial year for sell-offs as budget deficit mounts

The target for this year's programme of disposals is 7bn zlotys. The money is urgently needed to meet a deficit produced by the pension and health service reforms

Almost a decade after the But this is not the case for start of Poland's free market the mass of the population reforms, the country's priva- whose earlier fears of privatisation programme faces a tisation and foreign investcrucial year. A raft of ment have receded as the planned disposals should put private sector has come some of the country's biggest companies including TP SA, the listed telecoms oper-

nery into private ownership. However, the task will not be easy because privatisation continues to generate

source of stable jobs.

director of the giant Huta Katowice steel mill, has been told to raise 7bn zlotys from

Telekomunikacja Polska S.A.

\$250 million syndicated loan

\$1 billion bond issue

S.A. w Grajewie

Smithfield Foods, Inc.

Tender offer for Animex S.A.

Kalon Group pic

Pfleiderer AG

money is urgently needed to produce results. fill in a deficit produced by pension and health service reforms introduced at the beginning of the year.

Drafting errors in pension increasingly to be seen as a rules which slowed the flow of payments have meant the This year, the diminutive appearance after the first ator, and the huge Plock refi- Emil Wasacz, treasury min- two months of an alarming ister and a former managing gap in the budget. Already just under two-thirds of the year's planned deficit has been reached in a developcontroversy among Poland's sales of state assets to shore ment which puts additional up budget revenues. The pressure on Mr Wasacz to senior coalition partner

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Not only is the Treasury

under pressure from the Finance Ministry to produce results, but it also has to manoeuvre amid the interests of politicians from the governing parties who are keen to press their favourites into management positions in remaining stateowned companies.

Another source of tension comes from the right wing of the Solidarity-led AWS

handed out to the population at large in compensation for the privation of the communist period. The right wing also opposes sales of assets to foreigners and routinely criticises the Treasury for selling state-owned compa-

nies too cheaply. Mr Wasacz appears most concerned to answer critics on the free market wing of his governing coalition who say the pace of privatisation slowed last year. He argues that revenues of 7bn zlotys were higher than planned. The value of sales and not

According to Jakob Stott, head of investment banking for emerging markets at JP Morgan, Poland's sell-offs list for this year should raise about \$7bn. This figure is largely made up of an ambitious \$3.5bn-\$4bn which the investment bank has pencilled in as the proceeds from the sale of a 25-35 per cent stake in TP SA. JP Morgan is bidding to act as the lead adviser to the government against competition

that state assets should be Schroders. In contrast, the a race to obtain access to a more cautious Mr Wasacz has suggested the sale will raise \$1.6bn.

> Secondly, about \$1bn is expected to be raised by the sale of a 52 per cent stake in Pekao SA, the commercial bank listed last year which controls about 20 per cent of Poland's banking system. Citigroup and Unicredito of Italy backed by Germany's Allianz insurer have been shortlisted in a controversial disposal where the local Bank Handlowy was would be unable to pro- stock exchange.

There is also fierce compe tition for a controlling stake in the Bank Zachodni, a provincial commercial bank and the last of the nine regional banks hived off from the National Bank in 1989 still in state hands. A bid from Société Générale of France has the backing of the French authorities which are putting pressure on the Poles to facilitate the entry of a French bank. At the

same time, Allied Irish

which continues to argue from Merrill Lynch and local banks are set to bid in arms factories.

retail network and deposits. Also in the financial sector, the government recently decided it would sell 30 per cent of PZU, the state-owned insurer, to a strategic investor. PZU holds about 60 per cent of market share but is direly in need of about \$50m worth of capital and foreign expertise to streamline operations. Some of Europe's largest insurers such as Allianz and Axa are thought to be planning bids for the stake. Later, the government excluded a priori from the says, it wants to float the bidding on the grounds that remaining equity on the

> feisty Alicja Kornasiewicz, the post after a spell with the European Bank for Reconstruction and Development. Ms Kornasiewicz, who says she feels at home with a balance sheet, will also handle the privatisation of the ailing arms industry. Defence contractors who want to sell equipment to Poland as a fledgling Nato member will have to

Meanwhile, Mr Wasacz is keeping an eye on the sale of Poland's two big steel mills:

Sedzimir in Krakow and Huta Katowice in the industrial district of Silesia. Voest Alpine and Hoogovens are still interested in the former. and British Steel in the latter, and Thyssen wants to take both. The chances are some time next year as Poland comes under sustained pressure from the European Union to privatise the industry.

At the same time, the ministry is also hoping to dispose of the Plock refinery Patnow Adamow Konin (PAK) lignite coal-fuelled trim, the listed telecommunications and power equipment conglomerate, working with California Energy, is favoured to become the stra

AGRICULTURE by Christopher Bobinski

Collapse in prices prompts series of militant protests

Banks (AIB) and a brace of place orders with local

Poland's future as an agricultural producer will lie within the CAP. But for the moment there is a chronic shortage of local funds needed to allow the sector to restructure

arms after a fall in sales to Russia and a collapse in agricultural prices. Demonstrations by thousands of armers are almost a regular currence in Warsaw, the Polish capital. Last February, week-long blockades of key roads by farmers' pickets plagued motorists and

The new-found militancy has brought Andrzej Lepper, a populist who appreciates the role of the media in get prominence. Mr Lepper, a to politics in the early 1990s keep up his debt repayments, is riding on a wave of fear in the rural community

about its future. 'We are going to be wiped out," says Jan Kuchta, a farmer with 30ha of arable and woodland in the hamlet of Kruczy Borek, 60km north of Warsaw. Mr Kuchta is near retirement age and has children who will secure his typical of a social group which is convinced that its

protests are not being led by those whose farms are too small to support them and their families. Already, these households are living off only half of these do the



regular or occasional jobs in the towns. Rather the momentum is coming from those farmers who in the past few years decided to expand their holdings, take loans and modernise. It is they who have been most hit by the recent fall in prices.

Polish farming has under gone significant restructuring in the past 10 years. In 1988 as much as 13 per cent of gross domestic product was accounted for by farm output. That figure had fallen to 6.5 per cent in 1998. However, about 38 per cent Poland's population - 11.6m people - live in the countryside. And while

there are 2.1m farms, on

owners sell food items they

key to Poland's future as an agricultural producer. That future will lie within the European Union's Common Agricultural Policy (CAP), however that evolves, But for the moment there is a chronic shortage of local

funds needed to allow the sector to restructure. "Polish farming has expe-

have produced themselves.

Farming is the main source

of income on only about

500,000 farms but it is these

farms which will hold the

rienced a 20 per cent fall in production, a 25 per cent cut in demand for its products and a growth in employment," Marian Brzoska, an official at the government's European Integration Unit (UKIE) says of the 1990s. He raise enough capital to finance its own restructurbudget funds designed to support farming have been cut by 15 per cent this year That leaves World Bank

loans and planned pre-accession funds from the European Union. The Brussels SAPARD rural development programme should provide Poland with about €200m a year up to the point of accession, and increased funds from the CAP after that.

At the moment, Polish farmers are agitated about the EU. They see it as a competitor which uses subsidies to undercut their local and foreign markets while closing itself off from Polish food exports. However, officials see hope for Polish farming

even in the reformed CAP. "Why am I optimistic?" says Mr Brzoska. "Because the EU's farmers have benefited from the CAP for over thirty years and there is no reason why Poland's farmers shouldn't benefit from it

"Poland may get less funding as a result of membership than EU farmers get now. But it will certainly be more than the amounts they have been getting this past